103

S. HRG. 103-1017

WORK AND RESPONSIBILITY ACT OF 1994

Y 4. F 49: S. HRG. 103-1017

Work and Responsibility Act of 1994...

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDRED THIRD CONGRESS

SECOND SESSION

ON

S. 2224

JULY 13, 1994

MAY 24 1995

Printed for the use of the Committee on Finance

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WORK AND RESPONSIBILITY ACT OF 1994

WEDNESDAY, JULY 13, 1994

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:23 a.m., in room SD–215, Dirksen Senate Office Building, Hon. Daniel Patrick Moynihan, chairman of the committee, presiding.

Also present: Senators Baucus, Bradley, Mitchell, Pryor, Rockefeller, Daschle, Breaux, Conrad, Packwood, Roth, Durenberger, and Grassley.

[The press release announcing the hearing follows:]

[Press Release No H–42, July 8, 1994]

FINANCE COMMITTEE SETS HEARING ON PRESIDENT'S WELFARE REFORM PLAN—HHS SECRETARY SHALALA TO TESTIFY

WASHINGTON, DC.—Senator Daniel Patrick Moynihan (D–NY), Chairman of the Senate Committee on Finance, announced today that the Committee will hold a hearing on the President's welfare reform bill, the Work and Responsibility Act of 1994. Health and Human Services Secretary Donna Shalala will testify before the Committee.

The hearing will begin at *10:00 a.m. on Wednesday, July 13, 1994* in room SD–215 of the Dirksen Senate Office Building.

"Most members of this Committee, the Senate, and Congress as a whole want to change welfare so as to emphasize work, improve child support enforcement and reduce teen pregnancies," Senator Moynihan said in announcing the hearing. "If we can focus on these areas of agreement, we can produce the comprehensive reform the American people are rightly demanding. The President's bill is a fine start in this effort. The Committee looks forward Secretary Shalala's testimony regarding it."

OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, A U.S. SENATOR FROM NEW YORK, CHAIRMAN OF THE COMMITTEE

The CHAIRMAN. A very good morning to our distinguished witnesses and our welcome guests. I believe Senator Packwood and Senator Grassley would agree with me that for the past 18 years that I have been on this committee whenever we have held a hearing on welfare you could shoot deer out in that hallway. [Laughter.]

So for the first time ever we see an overflow audience.

Senator PACKWOOD. There must be something in this bill we do not realize, Mr. Chairman.

The CHAIRMAN. My Lord, there are some surprises coming. I want to welcome Secretary Shalala and Dr. Bane and Dr. Ellwood, who are very principal authors with Mr. Bruce Reed. Is Mr. Bruce Reed here?

Dr. SHALALA. Yes, he is.

The CHAIRMAN. There you are, Mr. Reed. We welcome you to the committee. As a member of the White House staff you do not testify, but you have been very closely in touch with us about the Work and Responsibility Act of 1994.

We welcome this measure with the greatest interest and degree of support. I hope that will be the case. It is just 6 years ago that Congress passed the Family Support Act, and at that time President Clinton was head of the National Governors' Association, along with now Representative Castle, then Governor of Delaware, who coordinated that effort on behalf of the legislation which passed overwhelmingly in Congress and was passed by a Democratic Congress, a Republican President signed it, which I hope is an omen or augury for what will happen now.

I have a number of remarks to make. All of them pleasing. All of them supportive and for that reason probably not necessary.

I turn to my esteemed colleague, Senator Packwood.

OPENING STATEMENT OF HON. BOB PACKWOOD, A U.S. SENATOR FROM OREGON

Senator PACKWOOD. Mr. Chairman, I have some that are necessary. The word "reform" you and I have heard bandied about in this committee for years and years, almost no matter what the topic is, it is reform. I so well remember Russell Long talking about the investment tax credit. I will not try to imitate his accent. But he said since he had been in the Senate he had voted on the investment tax credit six times, always in a tax reform bill. Three times put it in; three times took it out. It is one time we put it in and took it out under the same President. It was always reform.

He says, you tell me when it is and when it is not. The word reform is very close to the word deform and that is the opposite of reform. I do not stand here to be critical at all of what the administration is trying to do on welfare. I am critical of being unable to get a decision, Madam Secretary, about Oregon's waiver which we were promised—I have talked to Dr. Bane about it—and we were promised the administration was going to do things in 90 days. And we were promised last spring we would get a decision on our waiver and I have a letter from the President now and the two weeks is up today. He said in a couple of weeks you will have it. This was July 1. Actually, he has one more day—tomorrow.

I know you have given us the Food Stamp waiver on the Oregon JOBS program, but Oregon is doing sensationally. The Federal Government requires a 15-percent participation rate. Oregon has a 31 percent and we can do better than that, and we need this waiver. And it is not fair that the administration keeps dangling this promise—one week, two weeks; 1 month, 2 months.

It is 8 months now and I am not going to go through the chronology of the letters we have sent—delegation letters, meetings, phone calls. I hope that the President's letter when he said "a couple"—maybe a couple means more than two. I have always thought it just means two. In a couple of weeks we would have the answer.

Now, Dr. Bane, that letter is dated July 1. So if you could possibly get to me by the end of tomorrow, I would appreciate it very much. And not just get to me to say it is coming along. I would love to have you say it is granted.

Thank you, Mr. Chairman.

The CHAIRMAN. Madam Secretary, I think I am in a position to get you a vote if you would just answer that letter by tomorrow evening. [Laughter.]

Now, if we are going to get into this subject, there is a fact that is so important here, which is that the word reform is a simple dictionary term, which is to restore to an earlier good state. It is not at all appropriate for this subject and your bill is called the Work and Responsibility Act of 1994.

There was no earlier good state of the subject we now call welfare. The statute we have originates in 1935 and the Social Security Act is a part of that Act. It was a widow's pension. The Federal Government picked up what would have been, Dr. Ellwood, at least 20 States that had widow's pensions by then, and it was meant to be a bridge provision until survivor's insurance under Social Security came into maturity, which it did 30 years ago.

Frances Perkins would describe the typical recipient as a West Virginia miner's widow, Senator Rockefeller, and this measure was for someone who was not going to go down into the pits in the aftermath of her widowhood. We have a wholly new population, with wholly new circumstances and our problem of welfare is the problem of dependency and how do you provide as the hidden image of that word indicates that, well, independent people stand on their own feet, dependent people hang. That is what we are trying to find for them, the capacity to stand on their own two feet and get that way. All right? And we will pass this bill.

I hope we will pass it in this Congress. We have time to do it. We are very familiar with the provisions, having been very carefully briefed by your excellent associates here. So let us get on with this hearing.

Senator Grassley?

Senator GRASSLEY. I am going to put my long statement in the record, Mr. Chairman, because I know you are behind.

The CHAIRMAN. Thank you very kindly.

[The prepared statement of Senator Grassley appears in the appendix.]

The CHAIRMAN. Senator Rockefeller?

OPENING STATEMENT OF HON. JOHN D. ROCKEFELLER IV, A U.S. SENATOR FROM WEST VIRGINIA

Senator ROCKEFELLER. Mr. Chairman, I thereby need to do the same, but with one small caveat and that is that although I am sure this is going to embarrass him, that I am very proud and pleased that my first cousin, Nelson Rockefeller, Jr., is sitting somewhat behind you on the Republican side, as a staff member for Senator Dole, which shows that I am still the black sheep of the family. [Laughter.]

The CHAIRMAN. Well, we welcome Mr. Rockefeller to our ranks. When we go home weekends, these are the people who stay, as they will find out.

Senator Durenberger?

OPENING STATEMENT OF HON. DAVE DURENBERGER, A U.S. SENATOR FROM MINNESOTA

Senator DURENBERGER. Mr. Chairman, I welcome the opportunity to be here today and to listen to the testimony. Just as a preface—I do not know whether the Secretary will read a prepared statement and then talk to us or whatnot—I just want to go back 6 months, or maybe it was 9 months, when I felt as you did, I believe, that it was pretty important for us to be not treating welfare reform like it was unrelated to health care reform.

I find myself getting more frustrated as time goes on and as we are moving into the sort of crises stage on health care reform that somehow we are not able to see the difference between reforming the health care system and reforming the coverage system.

If you want to talk about reforming 35-year-old entitlement programs here so that everyone can be covered for their health expenses, then we need to talk welfare reform, we need to talk tax reform and a lot of other things.

I just wanted to express a disappointment that we are treating welfare reform as though it is separate from a real critical part, the universal coverage part, of health care reform.

And whatever I may have to say by way of questions are questions you have been raising as long as I have been on this committee, that relate to access to health care services, as well as all these other services. I just think if we had started earlier, as you tried to express a year ago, with welfare reform in some kind of parallel, although that probably is not possible in this place, some parallel with health care reform, I suspect we would have been further along with both. That is not to be said by the way of being critical of anyone, but just in an attempt to put what I know you want to say to us today in the context of what we've been saying to each other for the last year.

The CHAIRMAN. Which we certainly have done. Thank you, Senator Durenberger.

Senator Pryor?

OPENING STATEMENT OF HON. DAVID PRYOR, A U.S. SENATOR FROM ARKANSAS

Senator PRYOR. Mr. Chairman, thank you. I, too, will ask for permission to put my statement in the record.

[The prepared statement of Senator Pryor appears in the appendix.]

The CHAIRMAN. Without objection.

Senator PRYOR. With one caveat, Mr. Chairman, and colleagues, and that is to read a paragraph from a letter that all of us received, I think, back in June that states, I think, very succinctly the reason that we must go into this whole area.

This is from the Children's Defense Fund, Mr. Chairman. It says, "According to the report of enforcing child support, or States doing the job, that is the question; the answer, Americans are more faithful about paying for their cars than their children. The default rate for used car loans was less than 3 percent in 1992. The default rate for child support owed to mothers and children was 49 percent in 1990."

This to me is a devastating figure. The parental responsibility area of the welfare is something that I am going to be very involved in and I look forward to working with the Secretary and certainly looking forward to hearing the Secretary.

Mr. Chairman, I thank you.

The CHAIRMAN. Thank you, sir.

Senator Breaux?

OPENING STATEMENT OF HON. JOHN BREAUX, A U.S. SENATOR FROM LOUISIANA

Senator BREAUX. Thank you very much, Mr. Chairman. Thank you for having this hearing. As a person who has been very involved in this entire issue and the lead author of the 1988 very historic Family Support Act, you certainly have seen what this country can do to improve the plight of people who are less fortunate.

I think it is very clear to all of us that welfare as we know it today serves neither very well the people who are on it, nor the people who are paying for it. I think that welfare reform really means changing the lives of millions of Americans who get a check because they do not work, to giving them a check for working.

As the administration has said in their proposal, really, in short, welfare reform means people getting a pay check instead of a welfare check. So what we are trying to do with their proposal, I think, is to change the lives of millions of Americans. Change the way they think, change the way the agencies who administer the program think. This is an historic opportunity.

I am very delighted to hear you say, Mr. Chairman, it is something that we think we can do this year, because I think it is absolutely critical and absolutely essential. I think the President's proposal is a very good start. I think it does represent fundamental change. That is not to say that this committee cannot make modifications. But I think they ought to be congratulated for taking a major step in offering us this proposal for consideration.

Thank you.

The CHAIRMAN. Thank you, Senator Breaux.

The Majority Leader?

OPENING STATEMENT OF HON. GEORGE J. MITCHELL, A U.S. SENATOR FROM MAINE

Senator MITCHELL. Mr. Chairman, thank you very much for permitting me to make this brief statement. I join you and all of the members of the committee in welcoming Dr. Shalala, and Dr. Bane, and Dr. Ellwood here this morning.

Mr. Chairman, I begin by thanking you for holding this hearing and commending you for the leadership that you have demonstrated on this issue. As every member of this committee knows, it has been your leadership and your action which has permitted significant change already to occur in this area and will no doubt be the principal reason for what we all hope will be action this year.

I thank you for holding this hearing and for all you have done on this important issue.

As we all know, reforming our Nation's welfare system is extremely important. But it is no easy task. There is no simple an-

swer, no magic wand which will turn welfare recipients into wage earners. Part of the problem is that there is so much we do not know.

What we do know is that the problem is not partisan and, therefore, the solution ought not be partisan. There is, in fact, much agreement on this issue. We all want to end the cycle of dependency. We all want to encourage welfare recipients to move into the work force as soon as possible and once there we want them to stay in the work force.

I believe the President's Work and Responsibility Act is a good first step. It provides flexibility for States and localities to tailor their own training and work programs. The bill also sends a clear message to deadbeat parents. Regardless of where you live, raising a child is a two-parent responsibility.

One of the toughest measures proposed by the administration is based on the law of the State of Maine—parents who skip their child support payments risk the loss of their professional and occupational licenses and their driver's licenses.

Mr. Chairman, in Maine at least this program is working. During the past year over 9,000 delinquent parents have paid over $11 million in past-due support as a result of this tough law.

So, Mr. Chairman, I commend you. I commend the Secretary, and those who are with you, Madam Secretary, who have worked up this legislation and look forward to working with you and with the Chairman and the other members of the committee in enacting this important legislation this year.

The CHAIRMAN. Thank you, Senator Mitchell. Those were very encouraging words, indeed.

And now, finally, Senator Daschle.

OPENING STATEMENT OF HON. THOMAS A. DASCHLE, A U.S. SENATOR FROM SOUTH DAKOTA

Senator DASCHLE. Thank you very much, Mr. Chairman.

Let me also welcome Secretary Shalala. She was kind enough to come all the way to South Dakota last week and they are still talking about her visit. She was welcome and she did an excellent job.

I also want to commend her and the working group for what I think is an excellent beginning. Obviously, there are going to be differences along the way and we need to build upon those areas for which there is agreement, as the Chairman has indicated.

The CHAIRMAN. Thank you.

Senator DASCHLE. But I do think we have come a long way. As the Majority Leader has properly noted, this is overdue. There is an opportunity here that we need to seize to build upon the Family Support Act of 1988, to continue to work in that regard, and to recognize that this is an opportunity really connected to health reform.

That if we can pass meaningful health reform the next step is to pass meaningful welfare reform, which I believe is certainly possible with the effort given to us today by the working group. So I commend you and I pledge my cooperation.

Thank you.

The CHAIRMAN. Welcome once again, Dr. Shalala.

STATEMENT OF HON. DONNA E. SHALALA, PH.D., SECRETARY OF HEALTH AND HUMAN SERVICES, WASHINGTON, DC, ACCOMPANIED BY DR. MARY JO BANE, HHS ASSISTANT SECRETARY FOR CHILDREN AND FAMILIES, DR. DAVID ELLWOOD, HHS ASSISTANT SECRETARY FOR PLANNING AND EVALUATION, AND BRUCE REED, DEPUTY ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY

Dr. SHALALA. Thank you very much, Mr. Chairman. I have put a long statement in the record. I want to thank you and the members of this committee for the invitation to appear before you today.

We are pleased that the Finance Committee is holding a hearing on the Work and Responsibility Act of 1994 so soon after its introduction. I am joined today, as you have noted, by three distinguished architects of this legislation—Dr. Mary Jo Bane, the HHS Assistant Secretary for Children and Families, Dr. David Ellwood, the HHS Assistant Secretary for Planning and Evaluation, and together with Bruce Reed, who is sitting in the audience, the Deputy Assistant to the President for Domestic Policy.

The three of them have co-chaired the President's Welfare Reform Task Force that collected the advice of several hundred experts, welfare recipients and service providers. They crisscrossed the country in their consultations that ended in the proposal which we bring before you today.

I have submitted a more detailed statement for the record. I will concentrate my oral remarks on the plan's underlying themes and its principals.

[Secretary Shalala's prepared statement and responses to questions submitted by Senator Chafee appear in the appendix.]

Dr. SHALALA. Welfare, as we know it, has become a national tragedy. More than 14 million Americans depend on monthly AFDC checks that now cost taxpayers more than $22 billion each year. In the last 5 years alone, well over 3 million recipients have been added to the AFDC roles. And as you have pointed out numerous times, Mr. Chairman, a central part of the problem is the growth in the number of births to young, unmarried mothers.

Today just under 30 percent of all births are to unmarried mothers and nearly one in four children currently lives in poverty. As one of this country's most visionary thinkers on social policy, you have long recognized the need for reform. We re now on the threshold of change, largely because for many years, Mr. Chairman, you have kept this issue firmly in the national spotlight. For that, you deserve the gratitude of every American.

President Clinton, his Cabinet, many of us both inside and outside this administration have worked long and hard to put together this legislation. We are very proud of the result. The Work and Responsibility Act of 1994 will fundamentally change this country's approach to helping young parents move from dependence to independence. And equally as important, it will also improve the quality of life for millions of young children.

America's children, increasingly our poorer citizens, deserve a chance to grow up to opportunity, not poverty and hopelessness. If there is one thing that stands out the most from our Nationwide hearings on this issue, it is that our current system does not work

and nobody likes it, least of all, the people that look to it for help—welfare recipients themselves.

So as Congress debates this issue, we know it will not be about whether we need welfare reform. We all agree on that. The question is how best to go about it. And as you know, Mr. Chairman, from your years of research and leadership in social policy, there is no magic solution for the complex problem of chronic welfare dependency.

But that, of course, should not deter us from meeting the challenge head on and trying to make some recommendations. The issue has become even more urgent in light of some disturbing trends. More and more children today are born outside of marriage. And according to a May 1994 GAO report almost half of all single women receiving AFDC, about 42 percent, are now or have been teenage mothers.

The welfare system will continue to be part of the problem rather than part of the solution unless dramatic changes are made. We believe we have put on the table a bold and balanced plan that will really make a difference. Under our plan, by the year 2000 almost one million people who would otherwise be on welfare will either be working or completely off of welfare.

Even using conservative assumptions, our projections show that by the year 2000 more than 330 adults who would otherwise have been on welfare will have left the roles; 222,000 parents will be working part-time in unsubsidized jobs and 394,000 adults will be in subsidized jobs in the work program up from 15,000 in work experience programs now.

In addition, another 873,000 recipients in the year 2,000 will be in time-limited education or training programs leading to employment. By that time Federal child support collections will have more than doubled from $9 billion to $20 billion.

Let me add that we do hope to proceed on welfare reform in a bi-partisan manner, very much part of the tradition of this committee. In fact, there are many similarities between our bill and the two major Republican alternatives in the House and the Senate.

Both share the President's vision for reform, making public assistance a transitional program leading to mandatory work. Both provide funding for education, for training and child care and job creation; and both recognize that it will require an investment of time and money on the front end to move young mothers towards self-sufficiency.

Our welfare reform strategy has three overarching principles—work, responsibility and reaching the next generation. First, work. Under the President's plan, welfare will be about a pay check, not a welfare check. From day one, the new system will focus on making young mothers self-sufficient. Each recipient will join with her case worker in designing an employability plan, which is really a work and training agreement, designed to move her into a real job as quickly as possible.

And we expect that many recipients will be working well before they hit the 2-year time limit. The key to ensuring the success of this transition from welfare to work is expanding on the JOBS program, which is the cornerstone of the Family Support Act of 1988.

That was championed by, of course, yourself and then-Governor Bill Clinton.

I really want to emphasize this point, particularly since Senator Packwood raised the issue of the use of the word reform. This is very much building on the earlier legislation, strengthening it, recognizing where the weaknesses were that we did not anticipate and the designers did not anticipate at the time.

So while it is welfare reform and we make some dramatic changes in the existing system, we very much build on that 1988 Act; and, in fact, could not do what we wanted to do if that was not in place.

Under our proposal, we would increase funding for the JOBS program by $2.8 billion by the year 2000 and we would help States draw down the full amount of available Federal funds. We will also increase the Federal match because of what we learned about the implementation of the 1988 Act.

Moving people from welfare to work also means making certain that work pays in this country. Ending the perverse incentives that leave countless people to opt for welfare over work, even though they want to enter the work force.

Today 70 percent of those on welfare leave the system within 2 years. But the vast majority of them return, often because the low-paying jobs they get do not come with essential benefits like health care and child care; and, yes, Senator Durenberger, these things do fit together.

So we need to concentrate both on moving people off welfare, and on helping them stay off. And much of our discussion in the months and weeks to come will be about how do you keep people off of welfare once they do get off initially.

There are three major steps to making certain that work pays in this country and the President and Congress have already taken the first one. Last summer's $21 billion expansion of the earned income tax credit was a giant step towards making it possible for low-wage workers to lift themselves and their families out of poverty and to avoid having to go on welfare in the first place.

When fully implemented, the EITC expansion will effectively make a $4.25 per hour minimum wage job pay nearly $6 an hour for a family with a single wage earner and two children.

The second step in our strategy to make work pay is to provide affordable, accessible quality child care for families on cash assistance and for working poor families.

The first step, of course, is guaranteed health security for all Americans. This committee has shown great leadership in moving the health care reform debate to the floor of the Senate.

I would only underscore that we cannot succeed with sweeping welfare reform unless we succeed in passing health care reform—health care reform that covers all working families. Some studies suggest that 7 to 15 percent of the current welfare caseload. At least one million adults and children are on welfare simply to qualify for health care for the Medicaid program. And a 1994 Urban Institute study found that over a 20-month period only 8 percent of those who were on AFDC and went to work were able to find a job with health insurance.

We believe that such people should not have to chose welfare over work just to get health coverage for their families. And when Congress passes health care reform, our hope is that this perverse incentive to stay on welfare will end. These elements will help ensure that the millions of recipients who leave welfare within 2 years will not fall back into the system.

I think the combination of the EITC and childcare and health care for working families are as important elements as the changes that we wish to make in the way the welfare reform system itself works.

Let me be very clear on this point. The only way to get cash support after 2 years under the new bill is to go to work, preferably in an unsubsidized private sector job but if necessary, in a subsidized work program. And we are talking about work for wages, not workfare.

Simply put, our proposal ensures that after a maximum of 2 years of transitional aid if you do not work you do not get paid. Let me repeat that. Our proposal ensures that after a maximum of 2 years of transitional help if you do not work, you do not get paid. This is a straightforward and radical end to the status quo.

The second pillar of our plan is responsibility for both parents. We believe that mothers and fathers must be held responsible for the support of their children. Our plan provides time-limited benefits for teenage mothers, but only if they live with their parents or a responsible adult, only if they identify their child's father, and only if they stay in school.

At the same time we are putting place stringent new sanctions to make sure that fathers pay child support because it is not acceptable for fathers to walk away from the children they helped bring into this world.

But in addition to requiring responsibility after the fact, we are committed to doing everything we can to prevent teenage pregnancy in the first place. That brings me to our third goal—reaching the next generation.

Working to prevent teen pregnancy and out-of-wedlock births is a critical part of our plan. And I do not have to tell anyone on this committee how big a challenge it is. It would be naive to suggest that government could do it alone or that we know a lot about the business of reducing teenage pregnancy.

We are well aware that reducing the incidents of unmarried teenagers will require the involvement of every sector of our society. The link between unmarried teenage births and poverty is clear. According to an Annie Casey Foundation study, approximately 80 percent of the children born to teen parents who dropped out of high school and did not marry are poor.

In contrast, only 8 percent of the children born to married high school graduates, age 20 or older, are poor. We are absolutely committed to promoting abstinence-based programs in the schools as a key part of preventing teen pregnancy. But we are equally determined to build our strategy on the best available research.

Our legislation would set up a new grant program to test and rigorously evaluate comprehensive community-based approaches to reducing teenage pregnancy. These grants are intended to galvanize local efforts and inspire communities to work together. We

would also set up a national clearinghouse to allow States to share ideas and findings.

Mr. Chairman, we believe that the goal of reaching out first to the next generation is both socially responsible and fiscally wise. Our plan correctly targets initial resources to young women with the most at risk and the most to gain. By phasing in young parents first, we can begin to break the cycle of dependency.

But although we initially limit the requirements placed on cash-strapped States and local governments, we will also allow any State to phase in time limits and other new rules faster if they wish. And by emphasizing the necessity of staying in school, of post-funding pregnancy and preparing for work, we are sending a clear message to the next generation that welfare as we know it is history.

Overall, our approach combines real supports and real incentives with real sanctions. We believe that this issue is critical, that welfare reform is about nothing less than our vision of what kind of a country we want to be.

Do we want to be a country that encourages work over dependency? Do we want to be a country that expects our young people to act responsibly? Do we want to be a country that rewards hard work and fair play and accepts nothing less? Do we want to be a country that helps provide a brighter future for our children?

The Work and Responsibility Act of 1994 answers those questions with a resounding yes and we believe that this bill will truly strengthen America's families and communities.

Mr. Chairman, you and the members of this committee have shown real leadership on this issue and we look forward to working with all of you as you begin your work on this historic legislation.

Thank you for your attention. I would be pleased to answer any questions you may have at this time.

The CHAIRMAN. Well, thank you, indeed. May I presume to think that this was historic testimony. I do not believe that in the history of the Congress a Secretary of Health and Human Services has ever come before this committee or any committee and talked as openly and directly about a problem which we have had great difficulty in addressing, and that is the question of children born in homes where there has never been a marriage.

I am pleased indeed that we are talking about research in this area. We are talking about the origins of change in our condition that is unprecedented and except for a very few things such as the question of declining age of menarche, there is just no information out there.

If I could just make a point, nothing more than just joining with you—and agreeing with you. On June 16, when the President announced this program in Kansas City, he said, "Within 10 years, unless current trends are reversed, more than half of our children will be born in homes where there has never been a marriage." Within 10 years.

He used the same data in the State of the Union message. It was rather interesting that in neither statement was much noticed. As if we had gotten used to an idea which would have been unthinkable a generation ago when this began. That is an astounding statement.

The point I would make to the committee, is that it might be interesting to know that the President's information came from us. Last November when we went out, we were just toying around with these numbers. The Census had some new information and we did a straight correlation back to 1970 and we found the growth in the nonmarital birth rate to be just a straight line. A straight line rising at almost 1 percent a year.

Then we went further back to 1940 and we fitted a curve, an exponential curve. An exponential curve, as you know, starts to grow very slowly and then just roars ahead. It is that exponential curve the President is talking about.

But he did not get the information from the head of the Public Health Service and he did not get it from the head of the Bureau of the Census. He got it in conversation with a member of the Committee on Finance. It is nice to know we have such confidences between friends, you know. But it is the case that there is very little study here.

I have to think, because it is so new, I have to think we must address it at the level of science. If you were a biologist you could find yourself talking about speciation here. There is no society in history with the levels that we are now dealing with. I am not aware of any, but I could be very wrong. Does anybody think otherwise? Do you think otherwise?

Dr. SHALALA. No.

The CHAIRMAN. No. Dr. Bane?

Dr. BANE. No.

The CHAIRMAN. Dr. Ellwood?

Dr. ELLWOOD. No.

The CHAIRMAN. No. I mean, there are not two more knowledgeable people in this subject. The species has never encountered this. It seems to be happening in the U.K. It has something to do with a changed condition in biological circumstances. We have children born at age 9——[Laughter.]

Dr. SHALALA. Nine-year-olds having children.

The CHAIRMAN. Yes, 9-year-old children giving birth. A normal distribution curve when menarche drops below 12 would get you to some children at 9 and the phrase "children having children." It is such a profound change in the society. And that you should address it, that you come here and talk about it, is so welcome because it has been avoided.

And why ought it not be avoided? It is ominous. And if we do not change it, an awful lot of other things will not matter. So I am just here to say to you, thank you very much for what you have done and courage to you, and strength to you.

But do get that research going. I mean, I know that grants to grade schools, to say "brush your teeth" and so forth, that is good. But it is not very cumulative, at least in my feeling. This is something for the National Institutes of Health. It is something for the Public Health Service.

I have spent more than my share of time. Senator Packwood?

Senator PACKWOOD. Madame Secretary, I want to come back to this Oregon waiver again. I am looking at your statement. As members of this committee know, the current JOBS program is hampered by many States' inability to draw down the full amount of

available Federal funds. In fact, States spent only slightly more than two-thirds, 68 percent, of the total available Federal jobs allotment in fiscal year 1992.

To help States draw down their full allotment the Federal match rate would be increased by 5 percentage points over the current JOBS match rate and whatnot.

I am frustrated. The Federal Government requires a 15-percent caseload participation in the JOBS program. Oregon has 31 percent. We are drawing down 100 percent of our match and putting in an additional $10 million. We are going to do very well with your increase. We are going to get a 33-percent increase because we are using our 100 percent now. What do we have to do? What are we missing to get this waiver?

To me this is a shining example of what you want to achieve. And it is not like a stone wall, it is not that I do not get answers. We just cannot seem to get a waiver. What is the problem?

Dr. SHALALA. Senator, it seems to me the last time I had an exchange with you was about another Oregon waiver—the health waiver. At that time I assured you that we were dealing with it, and that the decision would come within a fairly quick period of time and I think I delivered on that. We will, indeed, have a decision on the Oregon waiver.

I cannot tell you it is going to be tomorrow. But I can tell you that I am prepared to make a decision and we are finishing up our final recommendations.

Senator PACKWOOD. Can you or Dr. Bane tell me what the problem is?

Dr. SHALALA. No. As far as I know, we are simply finishing up our recommendations on the Oregon waiver. And like the health waiver that I responded to you a number of months ago, we will finish up what we need to finish up, so that I have no reason that I should indicate to you that there is any problem.

Senator PACKWOOD. I am delighted to hear that.

Now let me ask you one other question. It is unrelated now to Oregon.

The CHAIRMAN. What?

Senator PACKWOOD. Unrelated to Oregon. [Laughter.]

This is this Manpower Demonstration Research Corporation study that indicates that you have targeted the wrong group in limiting it to those born after 1971 in which they say, and we have talked with their president and they still stand by their study, that the particular age group you are targeting is the one that is least likely to benefit from the services. That you would be better off to target it to 25, 30, and 35-year-olds.

I would be curious as to your response to their study.

The CHAIRMAN. Can I just say for the record that you would have been referring to Judith Guerone and the MDRC which is located in New York.

Dr. SHALALA. Yes.

Senator PACKWOOD. Yes, that is correct.

The CHAIRMAN. And Dr. Ellwood and Dr. Bane are thoroughly familiar.

Dr. SHALALA. Yes.

The CHAIRMAN. If it would be agreeable to you, Madame Secretary, I would hope they would feel free to comment.

Dr. SHALALA. I think so. I have also spent a lot of time on the MDRC. Let me fit it with what Chairman Moynihan has just said. There is no question that it would be easier simply to cream the easiest part of the welfare population as part of our targeting; and, in fact, there is evidence from their study that the older you are the more likely that some in many ways easier investments will get people off the welfare.

We have no intention of changing the existing JOBS program, our investment in education and training for that group. And, in fact, any State that wants to move the time limits to that group will be able to do it.

We believe that the implications of teenage pregnancy, of younger people below the age of 25, which is the group born after 1971, are so enormous for this country that we have chosen to take the tougher group, given the research, to figure out a strategy for that tougher group for these additional resources that we are targeting.

Now there is evidence from another study that if you fine-tune the study to the teenagers, that they are harder to get to, there is no question about that. But there are other reasons why we should target to that group initially. That is that they are more likely to end up on welfare for a longer period of time. They are less likely to have finished their high school education.

So targeting to the younger group initially makes sense in terms of taking on the risk issue on the front end. I realize it is easier for government and will be easier for me over the years when I have to come back and report successes to pick the easier group, to do some creaming.

But we think by starting with the toughest group to get off welfare and making those investments earlier will be having an enormous effect on the communities in which those teenagers are located, on sending messages to other young people who are engaged in risky, sexual activity; and simultaneously will have longer term effects that will be helpful to the total society.

So it is not that we are leaving those people out, or that States will leave them out, or that we are not prepared to invest in them. But we are telling you quite honestly that we are prepared to take on the tougher population for very much the reasons the Chairman has outlined over the years.

Senator PACKWOOD. My last question, Mr. Chairman. The reason I guess we are all a bit scarred and scalded by the term welfare reform is because we have heard it so often. So many States have tried it and many have failed and the Federal Government has thought about it from time to time and we are always optimistic. I will give us credit for optimism. It never seems to work and things just get worse.

I was stunned by the story in the Boston Globe. Are you familiar with the story of the four generations? It is a Boston Globe story of a Mrs. Revaria who came to the United States from Puerto Rico in 1958, went on welfare, and she has been on welfare ever since. She has 17 children, 74 grandchildren, and 15 great-grandchildren, almost all of who are on welfare. The State estimates it is costing

them between three-quarters of a million and a million dollars a year. What went wrong?

I do not believe in the logic of generalization from a specific. But what on earth went wrong? Is this story accurate? Do you know anything about this story?

Dr. SHALALA. I did not read the story. I am sure that there is a—and I know that there is a portion of the welfare population that has been on welfare for generations. We propose in this plan to end the possibility of individuals spending the rest of their lives on welfare by investing on the front end, beginning with the youngest people coming on, having a time limit, having work, unnecessary requirement a part of this, making sure the support system is in place.

For the vast majority of welfare recipients who get off, 70 percent get off in a couple of years, the problem is they cycle back into the system. What are the reasons for the cycling back? We have some evidence of that in these studies that have been done. We were clearly moving in the right direction in the 1988 Act.

States got into financial difficulty and could not draw down their Federal amounts and we proposed to make it easier for them to draw that down and to more importantly have clearer messages and clearer rules. This is about work and responsibility and getting those two pieces to work together.

Are we optimistic? The answer is, we are cautious about not over promising; and, therefore, we have been cautious in our numbers. But we also know we are building on experience. We have less experience with teenagers, but we are building on experience; and we believe that experience dictates a time limit combined with support, health, child care to help people stay off welfare.

Senator PACKWOOD. Thank you, Mr. Chairman.

Secretary, thank you.

The CHAIRMAN. Thank you, Senator Packwood.

May I just extend the Secretary's remarks if I can just a moment? The 1988 legislation was based largely on research that had been done at the Manpower Development Research Corporation. Its explicit recommendation and our specific policy in the bill was that you address the young welfare recipients who are the hardest cases.

I have referred to Judith Gueron as our lady of small, positive results. You do not get big results. You do not get, "wow, look at what we just did." But anything you did you saved a life, and the life of a very young person with very young children.

There is no question about it, you must work on the people. What they found very specifically is, you can do all the training and all the counseling you like to the older persons, they will leave anyway. They will get their lives back together and go. It is the younger ones who——

That is our present policy. You are building on it. Is that not right?

Dr. SHALALA. Yes, sir.

The CHAIRMAN. And I completely agree with it. Not everybody may do. But that is the present policy.

Senator Grassley?

Senator GRASSLEY. My first question would challenge the concept of 2-years of training and then you must work and are going to be off welfare. Because I do not think that is a controlling policy as much as you hope it will be. I do not question that you hope it will be. But the actual dollars that are set aside for the work program, referencing the Government Printing Office document 103–273, page 77, Case 2, the total number of work lots a State is required to create based on their funding allocations.

So the ruling factor here is the amount of money that goes in to get the number of people who have been on welfare for 2 years into a job and not a hard and fast rule that after 2 years you are off welfare.

Dr. SHALALA. Senator, let me go back and point out that while we have provided funding for a certain number of work slots, which are the subsidized, temporary jobs, which can be in the private sector or the public sector, our hope, and this program is designed, to move people into mainstream private sector jobs that are unsubsidized.

So the entire emphasis of the program and the early investment in education and training is an effort to move people into private sector jobs with the backup being temporary subsidized jobs where those private sector jobs are not available.

We have calculated what we think the number of temporary jobs that are needed will be. It is actually—since all the incentives are running in the direction of the private sector job for the individual. For example, you do not get the earned income tax credit under our subsidized jobs. You do get it if you move into a private sector job.

You do not get to stay in a subsidized job forever. it is a 1-year temporary slot and you continue to look for a private sector job. So the emphasis is to get the incentives, economic incentives right, and the push part of it right, so that what we are doing is helping people move into private sector jobs.

Senator GRASSLEY. I am not questioning your goals. But you would have to agree that if the private sector jobs are not available, and if there is not enough money appropriated for all the slots that are needed for those people that cannot find private sector jobs, then that individual or those individuals that there is not enough money for will not be off welfare after 2 years, right?

Dr. SHALALA. Well, we have made calculations based on the phase-in of those temporary jobs. So that our calculation is based on the phase-in. We would be happy to lay out——

Senator GRASSLEY. If your calculation is not right, would you say that there will be some people on welfare after 2 years or is it your intent absolutely to get them off welfare, if there is not enough money available and if there are not public sector jobs.

Dr. SHALALA. Senator, we will be the first people back here. I will make two points about our calculations. Number one, that all of you will be going through our calculations and I am sure fine-tuning them. We believe based on previous experience and on our projections for the phase-in that we have calculated the 400,000 by the end of the century correctly.

But we will over the next couple of months be very carefully going through all those numbers with all of you. Second, we will be the first people back here. This is about work and responsibility

and people that play by the rules, either are going to be in a private sector job, which is the preference, or in a back-up, temporary job. And if we have not provided the resources for those back-up temporary jobs, we need to get back here and tell you that before the end and the problems are created.

So you could be assured that we would like to be very accurate. We are well aware of the long tradition of people sitting where I am sitting and being dead wrong in their numbers. But one of the things that we need to do is to proceed cautiously, to demonstrate how we did our analysis and our assumptions and to make sure that this system is a system in which we do not defend it as perfect, but are willing to come back and make any changes that are appropriate.

Senator GRASSLEY. Dr. Shalala, on another point you were recently quoted as calling those who wish to end subsidies to young women who have children out of wedlock, "extremists," "un-American" and "wrong."

And yet I believe the administration's proposal allows States the option of not giving additional funding to a woman who conceives more children while on welfare. One approach is to eliminate direct Federal assistance to women who have children outside of marriage and instead block grant the money to the States to let the States meet those needs.

The other approach is to allow States to eliminate additional funds for women who conceive more children once on welfare. In principle, these two things are very similar. They are both attempts at reducing out-of-wedlock births and they both allow States more authority and flexibility in addressing a growing national crisis. How do you justify one approach in the President's plan while calling the other approach and its promoters "extremists," "un-American" and "wrong;" and how do those comments build consensus?

Dr. SHALALA. I was not referring to the family cap issue, but was referring to cutting off all women and children under the age of 21 from any benefits. So it was not on the family cap argument. I was simply making a comment about those that were 21 and under being cut off from any benefit and being left on the streets in this country.

Let me answer the question about the family cap. The welfare programs are a federal/State responsibility. The setting of the cash amount has very much been in the hands of the States all these years. Mississippi can spend $120 a month in their payment and California $600 a month. We have left the issue——

The CHAIRMAN. For a family of three, I believe.

Dr. SHALALA. Yes. We have left the issue of family caps to the States. But let me also say that we have no evidence that a family cap will deter the behavior of an individual who chooses to have a second child. So there is no evidence here.

We have obviously passed on that conclusion about no evidence to the States. We have some experiments that are going on in some States about family caps. We hopefully will learn some things over the next couple of years about whether they do deter.

The issue of the family cap is also an issue about message when you are dealing with young adults and with young people. That is,

the President's position on family caps, which leaves it to the States. By raising the issue we also make a very clear statement about behavior, about the appropriateness of behavior of out-of-wedlock births and about family responsibility, both parents being responsible for supporting a child, and not having children unless they have the financial wearwithal and the background and are old enough to bring up that child.

So it is a question of clear messages, leaving the decision to the States, simultaneously studying what we can learn. But more than anything else, I think making a clear statement about the appropriateness of behavior, which is consistent with the rest of the bill.

Senator GRASSLEY. I have no further questions. But, Mr. Chairman——

The CHAIRMAN. Senator Grassley?

Senator GRASSLEY [continuing] Just let me point out for the record that any of these plans that do cut off such direct aid to young, unwed women, block grants that amount of money to the States to meet the needs of those families and those children as the State sees fit. No one is promoting leaving these families hungry and homeless.

The CHAIRMAN. Good point. But we will not forget, will we, that it is very hard to blame an 18-month-old child for its behavior.

Senator Conrad?

Senator CONRAD. Thank you, Mr. Chairman.

First of all I want to thank the Secretary for her testimony here today and thank the focus of this administration on the question of reforming the welfare system. I think there is widespread support for doing that. Certainly that is the case in my State of North Dakota.

I think there is great frustration that people feel themselves hard pressed economically and then they see what they believe to be abuse of the system—that is, people who are leaning on everyone else who is working and they are very often staying home, having children, and being supported by all the rest of us.

And in a time when society has changed dramatically in virtually every household, both of the parents are working, it is a little hard to accept that society is assisting those who do not work and they stay home, in many cases make very little effort to work, and just lean on the rest of us. That is hard to accept.

I would like to ask you about a specific circumstance that involved a conversation my wife had recently with a young mother who had a 14-year-old daughter. My wife was visiting with her and the young mother was sharing her anxiety about the daughter who had come home and announced she wanted to have a baby—14 years old.

She told her mother that not only did she want to have a baby, that most of the other young girls her age wanted to have children. After having spent a number of lunch hours in the dining room with our distinguished Chairman, who probably has a greater knowledge of the historical roots of these societal changes than any other person in the country, this story is not unusual.

This idea that children are having children and that somehow there is a trend in the country that children have it in their mind to have a child makes them important, is someone who is going to

love them, is somebody that is going to look up to them. I am not certain myself what it is that is driving this impulse.

But I say this. I am very concerned about this development. In fact, as I look across society, I think we have a societal disaster on our hands, an absolute societal disaster. When we have got a projection that indicates 50 percent of the children being born in this country in 10 years will be born into a situation that there is no marriage, I mean, where is the future for society in which that is the case.

My specific question is: What are we doing in this plan that is going to change how that 14-year-old looks at the world and concludes that it is in any way appropriate for her to have a child?

Let me just conclude by saying, when the mother asked the daughter, well, who is going to pay to raise that child, the answer was, well, the government will help. There was no thinking beyond that. She was going to get payments.

I am not so cold hearted or hard hearted that I believe you just cut people off. But I must say, I am deeply troubled by a notion that apparently is much broader than in this 14-year-old child's head that it is somehow appropriate for her to have a child when there is absolutely no prospects of her or the father taking care of the child and that the rest of us are supposed to do it somehow.

You can see why people are deeply offended by this notion that they are supposed to carry the load. But more than that, what is the future for a country in which 14-year-old children are having children that they cannot possibly care for? What is in this program that will address that circumstance?

Dr. SHALALA. Senator Conrad, I think we are here today because we are aware that this is a national tragedy and that our future is very much endangered by a 14-year-old with that attitude, played out not only in rural North Dakota, but in cities like New York, in small towns across this country.

This plan very much speaks to that 14-year-old. Not simply because of the targeting. From the first moment, the message to that young person is that if you make a decision to have a child—first of all, we do not believe that kids in school ought to be having children in this country, that no one should be engaged in risky sexual behavior that results in a child who is a child themselves. That this is a huge responsibility—having a child, supporting a child, and bringing up a child is a huge responsibility that ought to be carried on by adults in our society.

The messages have to be clear on the front end from the President across this country. This leadership by the President is extremely important as parents take on additional responsibilities, as ministers and everyone gets involved.

So the message is first. The program itself says to that young person, if you do get pregnant and have that child, you will not be able to set up a separate household with that child. We intend to have you stay in your household.

The CHAIRMAN. That is a very important change in public policy.

Dr. SHALALA. Yes. That we will establish paternity and hold whoever the male is responsible for supporting that child. So establishing paternity from the beginning is also very important. That you will finish school. That you will not get public support unless you

are prepared to establish paternity, to stay at home, to finish school. And that within 2 years after you finish school, when you reach 18, you will be expected to go out and work and get into a private sector job. If that is not available, you will be expected to get into a work slot here.

The point is, that while this country is prepared to give temporary help to even the youngest of the people, our first message is, do not have that child. Our first message has to be that young people should not be engaging in sexual activity.

But if you do have that child, as a matter of fact, you are going to have to take responsibility for that child and that is going to be very difficult, because you have to finish school and take care of that child. You have to go to work and take care of that child when you are very young yourself.

So the support will be there on the front end. It will be temporary, transitional support and that young person will have a message that this is not a game, that it is not fun to have a child when you are very young, that the responsibilities are immense for you.

I have spent my entire career, as you know, Senator, working with young people between these ages. The best thing we can do is to tell them the truth. That you should not have a child at this age, that if you do it is going to be extremely difficult for you for the rest of your life, and that while we will make an investment in you and in your future, and in that child for a short period of time, you are going to have to get into the work force. That everyone around you is going to have to do the same thing. That this is not, should not be an easy decision on your part, to engage in sexual activity that may result in a child.

But if you do, you are about to go through a very, very difficult time because you have essentially made what we consider a mistake.

The CHAIRMAN. Could I point out, thanking Senator Conrad, that President Clinton has raised this issue to the level of a national agenda. No other President has ever done. Secretary Shalala is here speaking to you in those terms that no one has ever spoken before in response to questions that you very properly put.

Thank you, Senator Conrad.

Senator Rockefeller?

Senator ROCKEFELLER. Thank you, Mr. Chairman. I was just thinking while you were talking about the matter of potentially the speciation, the creation of the new American person, so to speak. It is, I think—I think you are right about that. It is a phenomenon that I think is also uniquely American.

Consider what we are going through, for example, on Haiti. We are completely ambivalent as to what we want to do. We see people in boats. We do not know how we can help them. Should we take them in, put them somewhere where we cannot see them. Do we have an obligation because we are called America, the Statue of Liberty?

We are a more tortured nation with respect to, I think, sort of enforcing social responsibility than probably any other nation on earth. We have the disadvantage of not being a Nation with a tradition or appreciation of Confucian philosophy which would provide

a different perspective on a lot of problems. We are just a very giving Nation and now we are beginning to pay the price for it. It is hard to know what are reasonable expectations and limits.

So your raising that concept to me is extremely interesting. I just respect your thoughtful analysis going all the way back to 1965 when you issued a bold report at some political cost. But you were right then, and you are right now to raise these issues.

Madame Secretary, the question that Senator Conrad was talking about that somehow if you are on welfare, there is an inducement, implied societally or even financially, to have more children, does not bare out statistically, correct?

Dr. SHALALA. That is correct.

Senator ROCKEFELLER. I have talked with David Ellwood on this. But I think that the size of the average American family which is not on welfare, and the size of the average American family which is on welfare, varies by something by less than one-tenth of 1 percent. Could I have those figures if you know them?

Dr. SHALALA. It is about 1.9 to 1.9. There are not significant difference. As I indicated, there is no evidence that the welfare payment adds the children.

Senator ROCKEFELLER. Is it also not true that a number of nations—and I can think of France—have tried very aggressive pronatal national programs. In other words, to encourage French families to have an additional child, the government paid an additional benefit. But when they tried it, in fact, nothing happened.

The CHAIRMAN. Family numbers. You get more for more.

Senator ROCKEFELLER. That is right. But they did try it and nothing happened. There was no dramatic increase. So the idea that government policy can induce people—bribe people—to have additional children is believed by many Americans, but which may not necessarily be true. I am asking for a comment.

Dr. SHALALA. You know, there simply is no evidence that an additional payment one way or another makes a difference here. And obviously countries around the world have used benefits as a way of trying to influence the production of children and they have had mixed success around the world I think.

Senator ROCKEFELLER. So you are saying that in some countries that it has worked?

Dr. SHALALA. No. I think the evidence is very mixed on that. On the positive side, not on the negative side. It has more to do with the family socio-economic characteristics. We are simply not in any way suggesting that the family cap is either a central piece in welfare reform or that there is evidence that cutting off those benefits will make a difference in terms of the size of families. We have no evidence to that effect.

The CHAIRMAN. Could I say to my friend, Senator Rockefeller, that Alva Murdough, who wrote her book, Family and Nation, in 1941 describes the basically pro-natalist policies of European countries. The French, who needed more Frenchmen to fight Prussians. The Swedes who thought they were going to disappear.

I defer to Drs. Bane and Ellwood, but I do not believe any pronatalist policy has ever shown any result in an increase in birth rates that is independent of other events like the French birthrate increased in 1946–47, but otherwise.

Senator ROCKEFELLER. Having said that, Mr. Chairman, I do think that one of the most exciting parts about welfare reform, and maybe the most important and appealing to the American people in this proposal are changes that have to be made to promote the concept of individual responsibility.

I know I share this belief with David and Mary Jo. They helped me with work on the National Commission on Children, which adopt such a theme to united Republicans and Democrats, even those from the far right of Republicans and Democrats from the far left. You could forge agreement on issue that seemed controversial if you lined it to individual responsibility. Based on this the whole concept of the child support enforcement, as well as a demonstration of child support, assurance is tremendously important, and popular.

Now, it is true—Democrats like to do everything to full scale in the first year and Republicans like to test a concept in a few States at a time to see how it works. We cannot afford to do this at full scale. I am so confident that it will be successful that I would like to be more expansive, but we do not have the money.

But what I want is a commitment from you that we will fully fund the demos so that they be true legitimate tests of the concept. There is $25 or $30 billion sitting out in the private sector which can go straight to children and families, and which is owed them, and which does not cost the taxpayer a single dime.

When you combine that with EITC and a potential refundable child tax credit which we all hope is coming in the future, we can develop a real alternative to this welfare system.

Dr. SHALALA. Senator, you have our assurance of that. Let me say on the teenage pregnancy issue that we need to deal with the issue of teenage pregnancy whether or not the individual chooses to go on welfare. Teenagers, unwed teenagers, having children in this country is not a good idea. It is not good for their futures. They all will end up limiting their own ability in the future and we ought to be discouraging children born out of wedlock, children born to children, period, whether or not they are going to come on welfare.

Senator ROCKEFELLER. I agree with that. My time is up. I thank the Chairman.

The CHAIRMAN. Thank you, Senator Rockefeller.

Senator Durenberger?

Senator DURENBERGER. Mr. Chairman, thank you.

First, let me just say, not just for the record, but for whoever is listening or watching, that I personally have tremendous respect for the three of you, for your professional judgment and for your commitment, to this issue. And you cannot always say that about folks that do government work. But it is true about each of you and in your professional backgrounds, in your writing, and in your work that you have done. You deserve to hear that from a Republican as well as from a Democrat.

Second, I would like to ask what Jay might call a Republican question. That is, who is the "we" that gets to decide that kids in school cannot have children? Who is the "we" that gets to make all these decisions?

I am glad young Rockefeller is here because it is his dad from whom I first learned to ask that question back in the 1960's.

I am asking you, Madame Secretary, to help me understand as we try to work our way out of what I think is a problem induced not by community neglect as much as the lack of community resources. Why it is that we need a national government to set all of these standards with which communities have been struggling for years and years and years?

I resisted going on my colleague's, Nancy Kassebaum, reform proposal because she sort of just handed the problem, as I saw it, back to where it actually belongs, where I think it could be dealt with. But, she did not help me understand how as a nation we were going to help a lot of communities finance some of their goals and objectives.

I know this is kind of a broad question, but I need to put everything else that you are talking about here—personal employability, transitional assistance, time limits in context.

Dr. SHALALA. Right.

Senator DURENBERGER. I mean, I have a tough time with that one sometimes. Put that in the context of who gets to decide these things. If we are talking behavior problems, it seems to me communities can understand those. And, yes, we have people who from time to time remind us of how far over the edge we have gone as a Nation, collectively and also individually.

But we have the problem of behavior. We have the problem of special needs. We have the problem of who provides the services. Then, of course, we have the human and financial resource problems.

I do not ever in this whole debate see the sense of what is the responsibility of the States in the traditional sense. How are they going to be held accountable by the people? Not by us who send the money down there, but by the people in the communities. How do we hold these governments accountable? While we are lecturing the people on being more responsible, how do we hold the government at various levels accountable?

Dr. SHALALA. Senator, it is a very thoughtful question which requires a lot more time than we have here. Let me start and then let me ask Mary Jo and perhaps David to comment further.

This is very much a question about intergovernmental relations. As we build on the 1988 Act I think that we thought a lot with State and local governments and with community organizations and with parents and with young people themselves who obviously in this plan have to take more responsibility for their own behavior—men and women.

We have thought about what are the appropriate roles. For instance, in teenage pregnancy prevention, this very much has to be both the President speaking out clearly and the Secretary and everyone else, and the program itself having the clearest possible incentives.

But it is really a community effort that is going to make a difference. We are talking about changing the messages, making sure there are not 14-year-olds in this country that think that that is the thing to do, to have a baby, and all their friends think the

same thing—whether they live in rural North Dakota or in Minneapolis or in St. Paul.

So the teenage pregnancy part very much is a community-based system. In addition to that, this plan is, as you will see, has throughout it enormous State flexibility. So that in Arkansas the State very much will want to shape its work and jobs and child care programs in ways that fit with its economy. So that in a Native American community the responsibility which is different, that the programs very much may be part of an economic development strategy. So throughout this, this is not a top down. This is not—we have the perfect model, because we do not.

What we do and are trying to provide is a better financial mast for the States themselves. More flexibility in terms of putting together the pieces of the program. Responsibility for what is increasingly an unbelievable national tragedy for every segment of our society.

So I think we have thought about it and in different pieces of the program you will see that. I do not know whether Mary Jo and David have anything to add.

The CHAIRMAN. Madame Secretary, let us take all the time we need on this question.

Dr. SHALALA. All right. It is an enormously important question. Secretary Bane?

Dr. BANE. I would simply support what the Secretary said about our attempt in the plan to construct a national framework within which there is recognition that it is at the State and community level as you have said so well that the programs must actually be operated and take place.

We are obviously eager to work with you and with others to make sure that we have that balance right, the balance of the national framework and community responsibility. We are also eager to work with you and others to define measures of success which all of us agree represent success in this program, so that we can hold—not the Federal Government holding the States responsible, but all of us holding government responsibility for sending the right message and for achieving results. We very much look forward to working with you and with others to achieve this.

Dr. SHALALA. David?

The CHAIRMAN. Dr. Ellwood?

Dr. ELLWOOD. Let me start by thanking you for the kind words, Senator.

Just to amplify one thing, there are some things that are national values. There are some things we really believe and our welfare system has not reflected them for 60 years. We have to get that straight.

Now, we should not figure out how school system X or community B will solve the problems. But we should not be sending the exact wrong signals in what we got at the national level. So we have to find a way. We are adding more resources, but we are also trying to send the message right. It seems to me that is the proper role for leadership at the Federal level.

Senator DURENBERGER. Thank you.

Dr. SHALALA. Senator, let me say to wrap up, also the Federal Government role here to get health care so that everyone that goes

out and gets into work has health care, the earned income tax credit and child care, for working people in particular, because I share some of the concerns about working people seeing this as an unfair system in which if you get on welfare you get some extra help. But once you get into the work force it is just very difficult to do all of these things.

So I think the government's values getting straight, in addition to everything else, is very important.

The CHAIRMAN. But let no one suppose that there really is an answer to Senator Durenberger's question.

Senator Pryor?

Senator PRYOR. Mr. Chairman, I want to compliment Senator Durenberger for asking such, as you say, a thought provoking question. I think that this is one of deep policy and sort of soul searching for this committee and for the Senate and the House and all of us here.

I want to compliment the Chairman for giving you an accolade for being so bold in coming forward and discussing some of these things that we do not discuss out in the open very much.

I know the President's plan when he unveiled it drew a lot of criticism from what we might call the far left and also the far right. I mean, there were groups on each side who basically attacked this.

But going one step further in Senator Durenberger's question, Madame Secretary, in 1988 in this committee we put forward a proposal which was accepted, the basic first step I guess you would say in welfare reform. It is my understanding that it was 3½ later when the regulations were issued to tell the States or to show the States what they could have in the system that they were going to be utilizing.

Maybe this was a guidebook or maybe it was regulations, something that the government at that time, the administration, did not consider of paramount importance.

One, why does this take so long, this process? And, two, if we adopt this program, this legislation this year or even next year, is it going to take us 3½ or 4 years to implement the regulations? That is my question.

Dr. SHALALA. No, Senator.

Senator PRYOR. Please tell me no. Please.

Dr. SHALALA. Three-and-a-half years is outrageous. I mean, I have no other reaction other than it is outrageous.

The CHAIRMAN. It is true.

Dr. SHALALA. The answer is no, it will not.

Senator PRYOR. How long would it take?

Dr. SHALALA. I have no idea until I see the bill.

Senator PRYOR. I understand.

Dr. SHALALA. But it will be, let me assure you on behalf of Secretary Bane, who will do with Dr. Ellwood the first draft of the regulations, that we have no intention of taking 3½ years.

Senator PRYOR. Well, this committee I think considers a lot of problems and a lot of challenges and issues, many of which might be postponed for a little bit and have some time to sit back and reflect. The Chairman has described this problem as being ominous. I hope that we will do everything possible to put this on some

fast track and get the job done. This is a problem that is going to consume our society if we are not very, very careful. I think the clock is ticking against us.

I am so proud that you have come today and have been bold with the committee. We thank you.

Dr. SHALALA. Thank you, Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Pryor.

And now Senator Breaux.

Senator BREAUX. Thank you, Mr. Chairman.

And, Madame Secretary, thank you; and Mary Jo, and David Ellwood, and also Bruce Reed from the White House for all the time and effort that you have spent in getting us to this point, which is really the beginning, not the end, of the process.

I think one of the reasons why we have never really resolved this problem of welfare in America is because we have been so polarized. Conservatives have said the way to solve it is to just spend less money. Liberals to a large extent have said the way to solve it is just spend more money.

I would like you to tell me, where this proposal fits in with regard to the traditional arguments that we have heard over the years? Spend more money; spend less money. Where do you characterize your proposal as fitting into the arguments that we have heard for decades?

Dr. SHALALA. Well, I think first that we have built some consensus in this country on the need to make sure that the incentives are right and that we do not have a program that increases dependency obviously. But a lot of that was settled in 1988 as we were pointed in a new direction and as research pointed us in a new direction.

We come down where all of you came down in 1988, and that is that we need to make front end investments and turn welfare back into a transitional, temporary, hand-up. And that there is, I hope, more consensus now. We are going to argue very strongly that people ought to work for wages, not work off their welfare benefit—work for wages.

As much as we could move people into the mainstream, into private sector jobs, and that everybody that is able to work ought to get up in the morning and go to work, whether they are in an area that has no jobs and there are lots of things to be done in that community. But when they go to work they ought to go work for wages.

So I guess we believe there is a lot of consensus being nipped at by the right and the left. It probably means that we are somewhere in the right place. But as we go through the process and, Senator, you bring great knowledge and concern to this issue, I am sure that we will be making changes as we go along. But I think that we very much are building on what we know and that it reflects consensus, not simply among elected officials, but among the American people who believe very strongly that we ought to help people get out of their circumstance and get into jobs.

Senator BREAUX. I think it is necessary to phase in the changes we want to make. I think this is one of the problems with health care—we are trying to do everything all at once and hope that we

get it right. I think that you are recommending that we take it one step at a time and make sure we get it right.

There is some criticism from some that say the phase-in is too slow. I have seen articles in papers that say only one in seven welfare recipients will be affected by it. In Louisiana, my State, tells me that of the 8,000 AFDC recipients, 2,500 would be affected by your plan.

Suppose Congress decides that we need to do it more quickly than that. My State says it would be hard to manage more, but they agree with what you are trying to do. But can Congress speed up phase-in on the work requirement and what are the problems if we do that?

Dr. SHALALA. Well, let me say a couple of things then I will turn it over to Mary Jo. We have had extensive conversations with the States about their capacity. Remember, we are going to try to change the culture of the welfare office. It is going to become an office in which the whole attitude changes from getting people eligible for checks to helping people get into the work force. So we are talking about a cultural change.

We believe we are pushing at the edge of the envelope now. That is, we have pushed the States on what their absolute maximum is in terms of what they can absorb and how fast they can retrain their own staffs, get this program up and working, how fast we can get the regulations up and working. So we definitely have tried to be cautious in our phase-in.

Second, we are trying to phase in the toughest group first. So to give us some credit, we are trying to phase in a very tough group—the youngest recipients. We are trying to get a fundamental cultural change in the welfare office that requires a lot of training.

And we have also said as a way out of this, and perhaps it will help all of you, any State that wants to move faster under our plan they can do that. So if there are some States that are ready to go a little faster, we have built in resources to do that.

Senator BREAUX. Those are some good points.

Dr. SHALALA. And I think that helps.

Senator BREAUX. In my limited time, let me ask one other question. Louisiana has 7.9 percent unemployment. There are some who will say that 2 years is enough time to move welfare recipients into the private sector if there are jobs available, but there are not any jobs. What are the incentives in this bill to get the private sector to hire previously unemployable welfare recipients?

Dr. SHALALA. In fact, both the fact that we are going to do education and training linked to private sector jobs on the front end for every person that is in the targeted group, and the work program itself which is a subsidized program which Louisiana could use with the private sector, will allow the private sector actually to take a look at a person.

We are providing the resources for some additional training and supervision. There is really an incentive for a private sector to work very hard with the State to try to develop some jobs as part of this. So there are incentives in the program and we will be encouraging the States to work closely with the private sector.

We are talking about people adding one or two jobs, taking a look at a worker in the short-term work program. But one of the things

that is attractive to the private sector increasingly is a combination of the child care, the earned income tax credit. And if we end up as we think we are with some health care subsidies, what we have done, in fact, to encourage the private sector is to put the benefit package together and they pay for the salary for low-income workers that are coming in.

So this is a very attractive program in terms of economic development it seems to us.

Senator BREAUX. Thank you, Madame Secretary.

The CHAIRMAN. Thank you, Senator Breaux.

May I just emphasize or call attention to Secretary Shalala's statement about the culture of the welfare office. We know something about that. It is inevitable—any government activity which gives away money, the first thing they are going to want to know is, are you eligible. And once they have established that, that is about the last thing they do want to know.

You go into a welfare office today, and they ask, "where are your papers." This is where you state your name. Prove it. This is where you say you have three children. Let us see pictures of them. You say this is where you live. Let us see it. And the papers pile up. And if finally you get through all these hurdles, you start getting your check and that is enough. Next.

What we want to do, and I think what you want to do, is to make the first question, "how can we get you out of here?"

Senator Daschle?

Senator DASCHLE. Thank you, Mr. Chairman.

Madame Secretary, I compliment you on your answers and the testimony you have given this morning. One of the concerns that we have expressed somewhat frequently on the debate on health reform is the concern that one size really does not fit all, that there are pockets of difficulties not necessarily national but extraordinarily critical. That is also true on the whole issue of welfare reform.

In particular, in my part of the country the problems on the reservations are extraordinary. We have unemployment levels reaching 70 to 80 percent. Reservations that are hundreds of miles from any urban setting, extraordinary difficulties with infrastructure. And obviously with circumstances like that, whatever we do for the country may not be applicable or practical or prudent on the reservation.

To a certain extent, I think you have addressed some of those concerns with the ability to use some JOBS money as a set aside for dealing with the chronically unemployed. The 2-percent JOBS program travel account is very helpful.

But I would like, if you could, to discuss that a little bit with me this morning. How do we deal with the concern that Senator Grassley raised about legitimate needs for a cap, but recognizing that with a cap and with all the flexibility that even this bill may allow, we are still dealing with a problem that is seemingly unsolvable at least today. How do we deal with that?

Dr. SHALALA. We have, in particular for Native American communities, added more flexibility because of the point that you have made. For instance, the work program, any tribe which chooses through self-determination to run their JOBS program can run

their own work program. That work program is tremendously flexible. So it could be used as part of their economic development strategy.

They will also be able to run their child care program on the reservation, which will, of course, provide jobs too at the same time. So fitting all of these elements together, adding some extra resources, adding that flexibility, we believe will help and will invest more resources in a flexible way to ensure that those communities that are prepared to use these programs as part of their economic development strategy.

There are jobs to be done, as we traveled around the country and my own travels to Indian country. There are things to be done in the community in which the work program will be very effective. So I think that we have allowed for that flexibility. We certainly want to work very carefully with you and want to go back out and as leaders of native Americans come in and talk to the committee. We very much would like to be part of those discussions to make sure we have put these elements together so it will very much work in those parts of the country.

Senator DASCHLE. Well, I think we are going to have to come to the realization that public service employment is going to be a critical function on the reservations for the foreseeable future. And as you indicated, there is a tremendous demand for public services on the reservation that are now unmet.

So I think there is an opportunity for a marriage there that is much more successful in the future. But I think we have to recognize that it is not going to fit any mold. It is not going to be applicable in other parts of the country. And as long as we are appreciative of the extraordinary differences that exist there, I think we can be somewhat optimistic that this problem is solvable.

One of the other issues is child support enforcement. I was concerned in reading the bill that there did not appear to be provisions which would allow effective tribal State cooperation or coordination in child support enforcement. Is that something you chose not to address or is there some reason why we have not effectively come to grips with that particular issue when it comes to child enforcement?

Dr. SHALALA. Just as to the first question, I do not know the answer to. Does anyone here know? Have we left existing law?

Dr. BANE. We have left existing law and I think the answer to your question is that we probably have not effective addressed that problem with regard to the tribes. I will assure you that we will start that consultation process and make sure that we do so.

Senator DASCHLE. Dr. Bane, we would be very interested in working with you on that as well. There are a lot of good ideas out there about how it might be done more effectively. I think if it were something that we dedicated some time to, I think we could address it effectively.

Dr. BANE. I will do that.

Dr. SHALALA. Senator, as you also know, health care in the Indian Health Service has been unfunded for years. Health care reform gives us an opportunity to make some additional investments. That will also be a job investment for many parts of Indian coun-

try. There is another area where we will be able to link up with the work programs and with other programs that we have.

Senator DASCHLE. Thank you.

The CHAIRMAN. Thank you, Senator Daschle.

And now Senator Bradley.

Senator BRADLEY. Thank you very much, Mr. Chairman.

Madame Secretary, let me tell you how much I appreciate the work that you and your team have done on this issue. I really do think you have come at it in a very comprehensive way. I hold out some hope that we actually might get something done. And beyond getting something done, I hope out some distant hope that it might have some impact on reality out there in the world as opposed to hearing rooms and groups that have spent a long time thinking about the issue.

I want to touch on just two things. One is the child support enforcement component of the package. I think that child support enforcement is clearly a very important part of welfare reform. And absent spouses who are working and not paying or who are not working and not paying, I mean, should be held accountable.

But the issue of child support is a broader issue than simply the welfare reform community.

Dr. SHALALA. Right.

Senator BRADLEY. Particularly is that the case with interstate child support enforcement, which as you know is a major problem, where the absent parent simply skips across State lines. These are often not the poorest of our citizens, but they are irresponsible, middle-class spouses who want to avoid the responsibility of taking care of their children.

I think that it is a part of the overall problem that Senator Moynihan talked about of more and more children growing up in families with only one parent or no parents. That is the problem of this being a societal phenomenon, not simply a phenomenon concentrated in one segment of society.

So my point to you is, we have high hopes for welfare reform. Child support enforcement is a part of welfare reform. But in the event that welfare reform does not move ahead, I do not want to wait around and have another delay on moving child support enforcement. Because I think that it affects a wider population. I wondered how you felt about that.

Dr. SHALALA. Senator, I think that we see this proposal as a holistic plan, which is designed to enforce parental responsibility for both parents. And that we do really see all these things fit together. When I talked about work and responsibility, the responsibility piece is very much both parents taking responsibility.

So we establish paternity. We regularly update awards. And while I am aware that there are lots of parents who are not on the welfare system who would be affected, that is also true of our efforts on teenage pregnancy. I would no more want our efforts on teenage pregnancy eliminated from the overall plan than I think we should eliminate the child support enforcement.

So I guess since we are trying to do something very dramatic here about responsibility, whether or not people are in the welfare system, on teenage pregnancy this very much patterns the child enforcement part of this. That is, sending the message about re-

sponsibility, about both parents being responsible, about what our enforcement mechanisms will be for that, whether it is the establishment of paternity, the regular awards updating, the penalties for those who refuse to pay their child support, holding fathers as well as mothers responsible, putting the interstate recommendations together which you very much had a part and was a leader on.

We really do see this as a whole. We would be very reluctant to separate the two. We would like to hold it altogether—the teenage parenting part, the child support enforcement piece, and the work pieces that change the welfare system.

Senator BRADLEY. Well, I can appreciate that and I do think there is a certain intellectual coherence to the total package. At the same time there is bipartisan support for child support enforcement and there has not yet coalesced bipartisan support for welfare reform.

So my point to you is, I hope that it will be a part of a welfare reform package. But at some point there will be other people who have these needs that I think will begin to take priority.

The second thing I wanted to just mention is the issue of the family cap.

As you know, New Jersey has begun several welfare reform experiments. The aspect of the New Jersey program that has gotten the largest attention, the biggest attention, is if you are on welfare and have another child you lose the payment for that child.

Now there are other aspects to the New Jersey program. Allowing someone who is on welfare to earn more before they begin to have an offset. If they get married allowing their spouses income not to count against welfare. And since the heat and the attention was focused on the denial of the additional child benefit, we put a few numbers together. And it might be instructive, I think, as we think about this.

If someone in New Jersey has another child on welfare and they are denied the welfare payment, that is $64 a month. So they are denied $768 annually for that additional child.

Now, the value of additional income that can be earned or that would not be counted if it is spousal earnings is close to $17,000. So the incentive in this program is get married and work. You can make $17,000 more than you otherwise would and keep your welfare versus the small disincentive which is $768.

Now, this has been in place about a year-and-a-half probably, 2 years maximum. The astounding thing is, there are very few takers. There appear to be very few people that are availing themselves of this. It is too early to tell.

But as we contemplate this area, I do think that this great difference in incentive versus penalty has to be kept in mind; and at a minimum we have to begin to make the incentive more appealing to people. I do not know how it can be more appealing—$17,000 more.

But from my perspective, we have to begin to think of the positive inducements in addition to the penalties while maybe not letting go of the penalties. What are your thoughts?

Dr. SHALALA. I agree with that, Senator. As you know, in the President's own plan on the family cap it is accompanied by a stip-

ulation that the State also has to allow the individual to earn back that amount while they are working. But your fundamental point that we have to get the incentives right if we want to affect people's behavior is a powerful one. I think that is what we are trying to do.

It is also unfortunate that when the point ought to be the people that are not ready to have children and to form families ought not to be having children, I hope we do not get distracted by a discussion on the family cap and the second child because it is very important that the messages and the values are very clear and very powerful and very straight.

Senator BRADLEY. Thank you.

The CHAIRMAN. Thank you, Senator Bradley.

Senator Durenberger, the hour of noon has come and passed. But we do not want to close off any questioning to you, sir.

Senator DURENBERGER. Mr. Chairman, just one question. I really appreciate the response of all three of the Secretaries to my last question.

But this is a question that relates to health care reform and it relates to a comment, Madame Secretary, you made in response to Tom Daschle's question. You said the opportunity in health care reform is to increase investment in Indian health services.

Obviously, we would all like to see an increased investment in health care access for everybody in this country. Last Wednesday I lost to you in the battle for the minds of the editorial writer for the Sioux Falls Argus leader. I was in town at breakfast and you came for lunch.

They said, what question should we ask the Secretary? I said, ask her what is universal coverage, how much is it going to cost, and how are we going to pay for it. I said, I am just fresh from the Senate Finance Committee which is one of the most balanced places to try to get answers to that question; and while there was a generally stated commitment to providing access to health care for everybody in this country, we stripped out of the already limited financing $13 billion at the request of the Postal Workers Union; $37 billion in getting some tax equity into the system on their employer paid health insurance was left out of the bill because unions in general, and teachers and lots of other fully paid benefits would not let us put it in in the first place.

We stripped out a 1-percent payroll tax, which was a tax on the biggest companies that are already putting in the largest subsidies in the system and we argued logically why tax them because you are trying to encourage their subsidies.

We took out an ammunition tax, untold millions of dollars. We took out, you know, like everybody else, we were pikers in scaling back the tobacco tax. So I said, ask the Secretary how in the world we are going to get the financing in 1994 that we need in order to do this job. I am just sharing my thoughts with you. You are an insider and I see everybody is getting on the buses and they are going to come from all over the country and all they are going to talk about is universal coverage. And you cannot have universal coverage, it seems to me, unless it is paid for.

You cannot promise the Indian Health Service something unless people actually make decisions that they are going to raise the

money. You cannot promise all of the people that we are talking about here this morning that more than 8 percent, you know, will be able to have health care in the private sector unless there is a way that we step up—we, not they—we help them step up and pay for it.

Maybe you see this thing differently than I do, but right now health care reform, you know, the concept of setting some rules so this system can work better and differently for all these people is at risk because of all the bus boarders and everybody else in this country who say that universal coverage is health care reform.

I think the kinds of things we are talking about here this morning are reform. They are entitlement reform. They are coverage reform, that sort of thing. But I have to tell you, I have not been able to see anywhere here the willingness to either raise the money or to change the existing Medicare, Medicaid, whatever other programs, in order to finance that.

How can we in practical terms get the universal coverage in 1994?

Dr. SHALALA. Senator, I think you are asking me how you can convince your colleagues that employer mandates or some other financing will——

Senator DURENBERGER. You have two minutes to do it apparently.

Dr. SHALALA. But let me say, again, first of all I have enormous confidence in the Chairman, and you, and Senator Conrad to work through the financing issue. That it is directly tied to welfare reform. That getting people off of welfare into jobs, that I sat in Sioux City, South Dakota and heard a mother of three who worked 12-hour shifts whose employer did provide health care, but she could not afford it because it was too expensive for her to be able to provide it for her children.

When I said to her, you would be better off on welfare, she said, no way. I will not do that to my children. And I believe that we need to answer that woman. Because she has chosen not to go on the welfare system. She has a free clinic that she can use, but she certainly is taking a risk and she has made a decision that she does not want to go on welfare for the sake of her children.

We have an obligation to answer her and to the millions who would like to get off of welfare, too, for the sake of their children, because in the end this is all about the children and about our future.

Senator DURENBERGER. And I do not disagree. When we get to see the bulk of this bill and its language, bill language, people are going to be surprised that the bulk of that bill is going to achieve the objectives for a lot of people like that woman, by bringing down the costs of health care wherever it is, whether it is Sioux Falls, South Dakota or it is Sioux City, Iowa or it is Mason City or Bismarck or Fargo.

But that does not extend the coverage of that lower cost system to everybody in America. That takes some more explicit decisions and so far I do not see that they have been made on either side of the aisle. My concern is that we are going to hold back from that woman in Sioux Falls the opportunity to actually see the market in South Dakota change, and see those employers work with the

providers in that community to start to change in some way, just because the realities are that nobody is coughing up the money or nobody is willing to give up their tax subsidy, their form of Medicare, their form of Medicaid, whatever the case may be for this greater good.

That is only a frustration. I know you probably could make the same speech. But thank you.

The CHAIRMAN. Senator Durenberger, this is surely an unprecedented circumstance in which the Finance Committee finds itself in.

Senator DURENBERGER. Unprecedented.

The CHAIRMAN. They do not want to give up theirs.

Senator DURENBERGER. Only 16 years that I have noticed it.

The CHAIRMAN. But in our defense, we did propose a tobacco tax considerably higher than the administration did.

Senator DURENBERGER. Yes, sir.

The CHAIRMAN. Now then, Senator Conrad, a concluding set of questions.

Senator CONRAD. Thank you, Mr. Chairman.

Really two questions. One is my Governor has proposed a cashing out of food stamps. That is the ability to have a program where you cash out. Have other States tried that?

Dr. SHALALA. Yes.

Senator CONRAD. What has been the experience?

Dr. SHALALA. Let me ask Dr. Bane, who has expertise in this area.

Dr. BANE. We do not really have the evidence in, Senator, on the effects of food stamp cash outs on some of the things the States are most interested in knowing about, i.e., whether cashing out food stamps, for example, serves as an incentive for people to go to work or as a reward for people to go to work. So we simply do not have the evidence yet.

Senator CONRAD. Theoretically, why would it serve as an incentive for people to go to work?

Dr. BANE. Many States recognize what some recipients seem to feel very strongly, that independence from food stamps is a real reward and a real plus for this. Recipients do not like to take food stamps to the store when they go and some States have argued that providing them the ability to have cash instead of food stamps when they go to the store for people who are working is something that might provide something of an incentive.

As I say, we do not have evidence on that yet. The Food and Nutrition Service has done some studies on the effects of food stamp cash out on food expenditures. We would want to get more details for you on that from them.

Senator CONRAD. I would be very interested. I mean, my concern obviously is, if people cash out—you know, let us say they do not have the greatest judgment in the world and they go to the local casino. We have now a lot of casinos in North Dakota. They go spend it on the ball game and then the kids do not have much to eat come the 28th of the month. I am concerned about that. I would like to know what the evidence is.

As you perhaps know, there is a provision in the appropriations bill that will be up before the Senate report language that says no

cash outs for 1 year. My Governor would like me to offer an amendment to remove that. I would very much like to know what the evidence is with respect to that whole question.

A final question, if I might, Mr. Chairman?

The CHAIRMAN. Please, sir.

Senator CONRAD. A lot of emphasis has been put on the JOBS program in the welfare reform proposal. I am wondering if a program performance analysis has been done with respect to that program and to determine how the JOBS program has produced in actually placing AFDC recipients in jobs to date.

Have we looked at that? Do we know what the experience is? Has it got a proven track record?

Dr. SHALALA. Mary Jo?

Dr. BANE. The MDRC, which has come up several times over the course of this hearing is conducting an evaluation of the JOBS program, a very well designed study in several States.

The CHAIRMAN. California and Florida, I believe.

Dr. BANE. The evaluation of California and Florida, Mr. Chairman, as you know, is of programs which actually preceded the JOBS program itself. We have a good deal of data from those two States and are doing a formal evaluation of other States after the passage of the JOBS program.

As the Chairman so correctly noted what these studies seem to be finding in California and Florida and in other States is that there are positive results and they are modest results. But we are learning a great deal about how to bring those about.

The CHAIRMAN. But they are real.

Dr. BANE. They are real results.

The CHAIRMAN. I can say to the Senator, Dr. Bane, Dr. Ellwood, Dr. Shalala—this says Doctor, not Secretary—are really committed to evaluation and getting it straight and are not in the least troubled to find they did not change the world in 18 months. If they made it a little better, that is not the worst.

Senator CONRAD. Thank you very much.

Dr. SHALALA. Thank you very much, Senator.

The CHAIRMAN. I have to rush off to the floor to defend the Uruguay Round which is a source of increasing jobs that if we do not look out we are going to see disappear as well.

I want to thank you for extraordinary testimony. You have been wonderful, open, informative and I say again, historic.

We will be announcing, if I can say to the press table, a series of hearings on welfare in the months to come and we propose to try to get this legislation enacted in this Congress.

Again, thank you all very much. Thank you, Dr. Reed; and we welcome Mr. Rockefeller.

[Whereupon, at 12:23 p.m., the hearing was adjourned.]

APPENDIX

Additional Material Submitted

Prepared Statement of Senator Charles E. Grassley

The President promised to end welfare as we know it. But is plan looks all too familiar. There's no "there" there. The President's so-called "welfare reform" reminds me of the story of the emperor's new clothes. Everyone will say they are beautiful, but really there is nothing there. True welfare reform must do at least three things. First, it must reduce the rising cost of welfare programs. Second, it must address the social crisis of illegitimacy. Finally, it must require real work from recipients. This plan does nothing to address the dramatic increase in welfare cost. In fact it adds to it. The President's proposal has an increase of $9.3 billion in spending over the next five years. We have no estimate of what that cost will be in the out years after the turn of the century.

Statistics show that the current welfare state is projected to grow from $300 billion in 1994 to almost $500 billion by the turn of the century. The average American working family currently pays $3,800 a year to support the existing welfare state. This will increase to $7,000 a year by the end of the century when the Clinton plan is fully implemented. Republican plans, by contrast, cut at least $30 billion in the next five years and take some of the savings to support family tax relief.

It is crucial that welfare reform cap welfare costs (apart from medicaid) at an aggregate growth rate of 3.5 percent for inflation. This allows some programs to grow more, while other programs grow less.

Another issue that must be addressed in real welfare reform is the serious rise in illegitimacy, welfare enemy #1. There is almost unanimous support across the political spectrum that something must be done to address this crisis. The consequences to the child, the mother, and society are simply too serious to continue to ignore. For over 30 years, we have treated this issue as if it is simply a "moral" question, thus, one in which government should not become involved. Recent studies have shown, however, that children born outside marriage are 2 to 3 times more likely to have emotional or behavioral problems than those in intact families. They have higher risks of child abuse and neglect, poor performance in school, having children of their own as teenagers, having their own marriages end in divorce, and six times greater risk of being poor. The absence of parents frequently leads to both illegitimacy and welfare dependency for a series of generations.

These consequences are what results from the government acting as father. To continue to ignore these consequences will result in greater destruction for children, young mothers and society. The President's proposal only requires young mothers to live at home, stay in school and receive contraceptive advice. This does not truly address the crisis of keeping young women from having children in the first place. It is simply an attempt to put humpty dumpty back together again after he has fallen to his own destruction. Shouldn't our policies promote the avoidance of these costly situations in the first place?

The administration's plan also allows millions of welfare recipients to continue receiving welfare benefits without any requirements at all. The work provisions only apply to those born in 1972 or after. What about everyone over age 22? Nothing is required of them.

Not only that, according to the President's own documents, the actual number of people required to work will be set by the amount of Federal funds allocated to support them, not by any supposed two ear time frame.

When the American people think of welfare reform, they want recipients to be required to work for their benefits. All other American families go to work to support their families. They get up, go to a particular work site, do a day's labor, receive

a paycheck, and make ends meet to support their families. They expect no less from recipients of public assistance.

We are a compassionate nation. We always have been. People don't mind assisting someone in crisis to get back on his or her feet. However, they don't expect to have to support that individual for years to come. they expect people to take action to help themselves also.

Overall, the plan doesn't do what the President promised. He promised to end welfare as we know it. Unfortunately, his plan looks all too familiar. There's no "there" there.

PREPARED STATEMENT OF SENATOR DAVID PRYOR

Mr. Chairman, I want to thank you for calling this hearing on the President's welfare reform initiative, a subject on which you are the leading expert in Congress.

The President has come forth with a proposal that would forever change the way we view welfare. Under his plan, welfare will be about a paycheck, not a welfare check. The proposal requires recipients to go to work, and cuts off their welfare checks after a maximum of two years. We expect welfare recipients to become more responsible for themselves.

Despite some of the partisan attacks that were launched against the President, he has made a bold proposal. It goes to the heart of some of the most serious issues we face today: reducing widespread poverty and providing incentives for people to work for a living and not depend on welfare.

Next week, I will chair a hearing of a Governmental Affairs subcommittee on the Federal government role in child support enforcement. Thanks to the leadership of President Clinton and members of this committee such as Senator Bradley, we are all aware of the terrible problems with the current child support system. Our children are denied an estimated $34 billion in support obligations from non-custodial parents each year.

Our hearing next week will focus on the role of the Office of Child Support Enforcement in helping the states improve their child support systems. One of the key aspects of any welfare reform initiative will be to greatly increase child support collections. I am convinced that no technical reforms will make a difference unless the nation is convinced as a whole that parents cannot walk away from their child support responsibilities without penalty.

I look forward to hearing from Secretary Shalala on this topic and on other initiatives proposed by the President. Welfare reform is urgently needed in this country, and I commend the President and you, Mr. Chairman, for your leadership in moving the debate forward.

PREPARED STATEMENT OF SENATOR DONALD RIEGLE

Mr. Chairman, I want to begin by thanking Secretary Shalala for being here today and for representing the Administration on this important issue. I also want to thank the Chairman for holding this hearing and for introducing this legislation—all of us are appreciative of his expertise and leadership on welfare and family issues.

Mr. Chairman, as we begin this debate it is clear that the current welfare system pleases no one. Taxpayers feel they are being financially squeezed for a program that fails. Caseworkers are overwhelmed by paperwork and underwhelmed by a lack of resources. And finally, recipients feel entrapped in a system that frequently does not provide them with employment and assistance, but does provide them with low self esteem.

I am sure it will be easy to find points of disagreement as this debate unfolds, but it is also clear that we must identify areas of consensus. We know that we must address, more effectively, the problems of teen pregnancy and illegitimate births. There is also a great deal of agreement on the need to strengthen the child support system and to hold parents accountable through paternity confirmation. The President's proposal recognizes the need to increase funding for the JOBS program, emphasizing job training and job placement. I believe we all recognize the need for more child care funding, not just for those on welfare but also for those attempting to stay off welfare.

I have several concerns regarding our approach to reforming the system, but I believe that one concern must be paramount to all others: the well being of the children who make up more than two-thirds of the AFDC population. If we enact reforms that are genuinely focused on helping individuals and families get back on

their feet, then these children will benefit. If—on the other hand—we allow these reforms to be driven by politics and rhetoric then these children could become the victims. We must not be pushed into adopting overly simplistic approaches that would place thousands of children in orphanages or potentially detrimental situations.

Health care reform is also a critical element to the success of any welfare reform effort. No one should have to choose welfare over a good job just because it provides Medicaid coverage. And no working American, who has to live paycheck to paycheck, should fear an unexpected illness because it may push them onto public assistance.

Finally, we must guarantee that there are jobs for those who are being asked to leave the welfare system. The best way to do that is to maintain a strong growing economy, and the President has done an excellent job in keeping the economy going and creating thousands of new American jobs.

I commend President Clinton for making welfare reform and improvement the focus of so much debate, by convening an internal task force early in his Administration, and now by presenting his proposal to Congress. The President has provided the necessary catalyst to legislators, policy analysts and the public alike to discuss what approaches we should take to "end welfare as we know it."

PREPARED STATEMENT OF DONNA SHALALA

Thank you Mr. Chairman and members of the Committee for the invitation to appear before you today. I am very pleased that the Finance Committee is holding a hearing on the Work and Responsibility Act of 1994 so soon after its introduction.

I am joined here today by two of the key architects of this legislation, Dr. Mary Jo Bane, HHS Assistant Secretary for Children and Families, and Dr. David Ellwood, HHS Assistant Secretary for Planning and Evaluation. Together with Bruce Reed, Deputy Assistant to the President for Domestic Policy, Drs. Bane and Ellwood have co-chaired a task force appointed by the President that sought the advice of several hundred experts, welfare recipients, and service providers in the design of this visionary plan.

Welfare as we know it has become a national tragedy. More than 14 million Americans depend on monthly AFDC checks that now cost taxpayers more than $22 billion dollars each year. In the last five years alone, well over 3 million recipients have been added to the AFDC rolls. Almost 30 percent of all births are to unmarried mothers. And nearly one in four children currently lives in poverty. Too many children grow up in households where none of the adults are working.

As you've pointed out numerous times, Mr. Chairman, a central part of the problem is the growth in the number of births to young, unmarried mothers. As one of this country's most visionary thinkers on social policy, you have long recognized the need for reform. And we are now on the threshold of change, largely because, for many years, you have kept this issue firmly in the national spotlight. For that, you deserve the gratitude of every American.

President Clinton, and many of us—both inside and outside of his Administration—have worked long and hard to put together this legislation. And we are proud of the result.

The Work and Responsibility Act of 1994 will fundamentally change this country's approach to helping young parents move from dependence to independence. And, equally important, it will improve the quality of life for millions of young children. America's children—increasingly our poorest citizens—deserve a chance to grow up to opportunity, not poverty and hopelessness.

If there is one thing that stands out the most from our nationwide hearings on this issue, it is that our current system doesn't work and nobody likes it—least of all the people who depend most on it for help—welfare recipients themselves. So as Congress debates this issue, we know it won't be about whether or not we need welfare reform—we all agree on that. The question is how best to go about it.

As the distinguished Chairman knows from his years of research and leadership on social policy, there is no magic solution for the complex problem of chronic welfare dependency. But that should not deter us from meeting this challenge head-on.

This issue has become even more urgent in light of some disturbing trends: more and more children today are born to teenage mothers and outside of marriage. Almost half of all single mothers receiving AFDC—about 42 percent—are or have been teenage mothers.

The welfare system will continue to be part of the problem rather than part of the solution unless dramatic changes are made. We believe we have put on the table a bold, balanced plan that will really make a difference.

Under our plan, by the year 2000, almost one million people who would otherwise be on welfare will either be working or completely off welfare. Even using conservative assumptions, our projections show that more than 330,000 adults who would otherwise have been on welfare will have left the rolls by that time. About 222,000 adults will be working part-time in unsubsidized jobs. And 394,000 adults will be in subsidized jobs in the WORK Program—up from 15,000 in work experience programs now. In addition, another 873,000 recipients in the year 2000 will be in time-limited education or training programs leading to employment. And by that time, federal child support collections will have more than doubled, from $9 billion to $20 billion.

Let me add that we hope to proceed on welfare reform in a bipartisan manner. In fact, there are many similarities between our bill and the two major Republican alternatives in the House and Senate. Both share the President's vision for reform, making public assistance a transitional program leading to mandatory work. Both provide funding for education, training, child care, and job creation. And both recognize that it will require an investment of time and money to move young mothers toward self-sufficiency.

Our welfare reform strategy has three overarching principles: work, responsibility, and reaching the next generation.

WORK

Under the President's welfare reform plan, welfare will be about a paycheck, not a welfare check. To reinforce and reward work, our approach is based on a simple compact. Support, job training, and child care will be provided to help people move from dependence to independence. But time limits will ensure that anyone who can work, must work—in the private sector if possible, in a temporary, subsidized job if necessary. These reforms will make welfare a transitional system leading to work.

As a crucial ingredient of reform, support will be provided to help people keep jobs once they get them. Tax credits, health care and child care will make it possible for everyone who works to be better off than they were on welfare, and for even workers in entry-level jobs to support their families.

The key to ensuring the success of this transition from welfare to work is expanding on the success of the Job opportunities and Basic Skills or JOBS program. JOBS is the cornerstone of the Family Support Act of 1988 (FSA), that was championed by Chairman Moynihan and then-Governor Bill Clinton.

FSA paved the way for our reforms by introducing the expectation that welfare should be a transitional period of preparation for self-sufficiency, and by recognizing the need for investment in education, training, and employment services for welfare recipients.

However, the JOBS Training program created by the FSA did not change the welfare system as much as was intended. Because of its broad exemption policy and relatively low participation rates, only a small portion of the AFDC caseload is actually required to participate in the JOBS program. Only 16 percent of mandatory participants engaged in work or training activities in fiscal year 1992. Since only 43 percent of the adult caseload are considered mandatory participants, the actual percentage of the caseload involved in the JOBS program is even smaller. In reality, few recipients, especially those at-risk of long-term welfare dependency, are moving toward employment that will enable them to leave AFDC.

The FSA has worked best where states have used it to change the culture of the welfare office to one focusing on moving people quickly toward work and independence. The Riverside County GAIN program, for example, has significantly increased recipients' hours of work and earnings.

The President's Work and Responsibility Act seeks to change this by replacing AFDC with a new transitional assistance program that includes four key elements: a personal employability plan; training, education and placement assistance to move people from welfare to work; a two-year time limit; and work requirements. We also propose a significant narrowing of the participation exemptions contained in current law.

MAKING WELFARE A TRANSITION TO WORK: BUILDING ON THE JOBS PROGRAM

Our philosophy is simple and fair: all parents who receive cash support must do something to help themselves. The JOBS program will be the centerpiece of the public assistance system.

From day one, the new system will focus on making young mothers self-sufficient. Each applicant will sign an agreement to move quickly toward independence in return for assistance. Working with a caseworker, each recipient will develop an employability plan—a work and training agreement—designed to move that person into an unsubsidized job as quickly as possible. Participants who are job-ready will immediately be engaged in a job search and anyone offered a job will be required to take it. We expect that many recipients will be working well before they hit the two-year time limit.

Several mechanisms will integrate the JOBS program with other education and training programs to expand access to the system and reduce the administrative burden on States. Our plan also will ensure that even those unable to participate in education, training or work still meet certain expectations.

It is important to note that our proposal defers only people with a disability or those who need to care for a disabled child; mothers with infants under one year old; and certain people living in remote areas. AFDC mothers who have additional children while on assistance will be deferred for only 12 weeks after the child's birth.

In contrast, current law allows much broader exemptions for women with any child under three, young mothers under 16, and women in their second and third trimesters of pregnancy.

By the year 2000, these changes will move us from a situation in which almost three quarters (73 percent) of the target group are neither working nor expected to participate in training, to one in which more than three quarters (77 percent) of the phased-in group are either off welfare, working, or in a mandatory time-limited placement and training program.

In short, JOBS participation will be greatly expanded through increased participation rates, and JOBS participants will participate in more work experience, education, and training programs. To achieve this, we have given states and localities flexibility in designing the exact mix of JOBS program services. Employability plans may be adjusted as a family's situation changes. But parents who refuse to stay in school, or look for work or attend job training programs will be sanctioned, generally by losing their share of the AFDC grant.

In addition, the Federal cap on JOBS spending will be increased from $1 billion to $1.7 billion in fiscal year 1996. Over the five-year period between 1996 and the year 2000, we will increase JOBS spending by $2.8 billion—a 56 percent increase over current spending. The capped entitlement for JOBS will rise further if the national unemployment rate reaches 7 percent or higher.

As members of this committee know, the current JOBS program is hampered by many States' inability to draw down the full amount of available Federal funds. In fact, States spent only slightly more than two-thirds (68 percent) of the total available Federal JOBS allotment in fiscal year 1992. To help States draw down their full allotment, the Federal match rate will be increased—by five percentage points over the current JOBS match rate in 1996, rising to 10 percentage points over the current JOBS match rate by the year 2000. The minimum Federal match will be 70 percent in that year.

Specific examples best illustrate the impact of these changes: In fiscal year 1994, we estimate that New York will spend $68 million in State monies on JOBS, which will allow it to drawdown $95 million in Federal JOBS funding. Under the new match rate, New York could maintain its current level of spending and draw down $119 million in Federal funds in fiscal year 1996. The same amount of State funds ($68 million) could draw down $127 million in fiscal year 1997 and $152 million in fiscal year 1999—that is a 60 percent increase between fiscal year 1994 and fiscal year 1999. We estimate that Louisiana would experience a 74 percent increase in Federal JOBS funding between fiscal year 1994 and fiscal year 1998 under this new match, while Oregon would experience a 33 percent increase over the same period. Kansas would experience a 48 percent increase in Federal funds between fiscal year 1994 and fiscal year 1998 under the new match rate. For your information, I have attached to my testimony a summary of the increased amount of federal JOBS funding that states represented on the Committee could expect under our proposal.

In addition, a single match rate for direct program costs, administrative costs and work-related supportive services will replace the current system's varying match rates. Provisions also have been incorporated that address unemployment—during periods of high State unemployment, the State match for JOBS (and WORK and At-Risk Child Care) would be reduced.

As you know, President Clinton was the first person to propose national time limits on welfare benefits. The cumulative two-year time limit on benefits will give both recipients and caseworkers a structure of continuous movement toward fulfilling the objectives of the employability plan and, ultimately, finding a job. We believe that

only with time limits will recipients and caseworkers know without a doubt that welfare has changed forever. And only then will the focus really be on work and independence.

States will, however, be permitted to grant a limited number of extensions for completion of an education or training program, or for those who are learning-disabled, illiterate, or facing other serious obstacles to employment. And in order to encourage States to meet their responsibilities, we require them to grant extensions to persons who have reached the time limit but who have not been provided employment-related services specified in their employability plan. Extensions in all of these categories will be limited to 10 percent.

THE WORK PROGRAM: WORK NOT WELFARE AFTER TWO YEARS

If the time limit is reached, welfare ends and people are expected to work. We recognize that some recipients will reach the end of the two-year limit without having found a job, despite their best efforts—and we are committed to providing them with the opportunity to support their families if they are willing to work. Each State will be required to operate a WORK program that makes paid work assignments available to recipients who have reached the time limit for cash assistance.

The WORK program is different from "workfare" (or CWEP) programs. Workers will receive a paycheck based on the hours they actually work. They will not be guaranteed a welfare check and sent out to a work site. Those who do not show up for work will not get paid. This is a straight-forward and radical end to the status quo.

To move people into unsubsidized private sector jobs as quickly as possible, participants will be required to perform an extensive job search before entering the WORK program, and after each WORK assignment. No single WORK assignment will last more than 12 months and participants will typically be paid the minimum wage. States will be allowed to pursue any of a wide range of strategies to provide work for those who have reached the two-year limit, including subsidized private-sector jobs, public-sector positions, contracts with for-profit placement firms, agreements with non-profit agencies, and microenterprise and self-employment efforts.

To create a further incentive to find an unsubsidized job, participants in subsidized WORK positions will not receive the Earned Income Tax Credit ensuring that any unsubsidized job will pay more than a subsidized work assignment. Anyone who turns down a private sector job will be removed from the rolls, as will people who refuse to make good faith efforts to obtain available jobs.

The WORK program will begin in 1998, and it should cost $1.2 billion in Federal dollars during the first five years. By 2000, the WORK program should serve approximately 394,000 participants, which is a dramatic expansion from the 15,000 in work experience programs today.

SUPPORTING WORKING FAMILIES: THE EITC, HEALTH CARE REFORM, AND CHILD CARE

We recognize that a fundamental flaw in the current welfare system is that it does little to encourage work. Those who work often lose benefits dollar for dollar, face burdensome reporting requirements, and cannot save for the future because of asset limitations.

Moving people from welfare to work also means making work pay in this country—ending the perverse incentives that lead countless people to opt for welfare over work, even though they want to enter the workforce.

Today, 70 percent of those on welfare leave the system within 2 years—but the vast majority of them return, often because the low paying jobs they get do not come with essential benefits like health care and child care We need to concentrate on two key goals: moving people off welfare and helping them stay off.

To "make work pay," this Administration has focused on three critical components—providing tax credits for the working poor, ensuring access to health insurance, and making safe child care available. We are also proposing to allow states to change earnings disregard policies to reward work and the payment of child support.

Congress has already passed the first crucial element of welfare reform by expanding the EITC, a key initiative of the Clinton Administration. The EITC is essentially a pay raise for the working poor. It means that a family with two children and a single minimum-wage worker will earn the equivalent of $6.00 an hour with a $4.25 an hour job. The EITC ensures that a family with a full-time worker earning minimum wage would, with the help of food stamps, no longer be poor.

We believe that low-income individuals could benefit from receiving the EITC throughout the year, instead of in a lump-sum payment at the end of the year. Our proposal will allow up to four States to conduct demonstrations promoting the use

of the advance EITC payment option by shifting the outreach and administrative burden from employers to selected public agencies.

The critical policy, of course, is guaranteed health care security for Americans. This Committee has shown great leadership in moving the health care reform debate to the floor of the U.S. Senate. I would only underscore that we can't succeed with sweeping welfare reform unless we succeed in passing health care reform first.

Some studies suggest that 7 to 15 percent of the current welfare caseload—at least one million adults and children—are on welfare to qualify for Medicaid. And a 1994 Urban Institute study found that over a 20-month period, only 8 percent of those who were on AFDC and went to work were able to find a job with health insurance.

We believe that people should not have to choose welfare over work just to get health coverage for their families. And when Congress passes health care reform, our hope is that this perverse incentive to stay on welfare will end.

The third ingredient in our strategy to make work pay is affordable, accessible, high quality child care for families on cash assistance and the working poor. Parents must have dependable child care in order to work or to prepare themselves for work. Our proposal would significantly expand child care spending. We continue to guarantee one year of transitional child care for those who leave welfare for work, and will extend child care assistance to those participating in the new WORK program. Our proposal also will significantly expand the At-Risk Child Care program for the working poor from $300 million per year now to over $1 billion by the year 2000.

As mentioned earlier, we will make the child care match rates consistent with the new enhanced JOBS (and WORK) match rate, allowing States to draw down increased child care funds. For example, we estimate that New York will spend & total of $85 million in fiscal year 1994 on IV–A child care, transitional child care, and At-Risk child care. Under the current matching rates, New York would draw down the same amount ($85 million) in Federal funds for these child care programs for that year. Under the proposed match rate, the same amount of State dollars invested in child care in fiscal year 1999 would draw down $189 million in federal dollars—an increase of 123 percent. Louisiana would experience a 57 percept increase in Federal child care funding between fiscal year 1994 and fiscal year 1999 if it maintained its fiscal year 1994 spending on child care, and federal dollars for child care would increase by 52 percent in Oregon over the same period. Kansas would experience a 38 percent increase in Federal child care funding between fiscal year 1994 and fiscal year 1999. For your information, I have attached to my testimony a summary of the increased amount of federal child care funds that states represented on the Committee could expect under our proposal.

Finally, we address quality and supply through a special provision in the At-Risk program. We will help States create seamless child care coverage for persons who leave welfare for work, and allow them to administer all federal child care funds through one agency.

Together, these elements will help ensure that the millions of recipients who leave welfare within two years will not fall back into the system. And it will be clear that work and responsibility are at the core of our values and the heart of our policies.

RESPONSIBILITY

The second pillar of our plan is responsibility: the responsibility of parents for their children; the responsibility of the system to deliver performance, not process; and the responsibility of the government to provide accountability for taxpayers.

PARENTAL RESPONSIBILITY

We believe that mothers and fathers must be held responsible for the support of their children. Men and women must understand that parenthood brings serious obligations and that these obligations will be enforced.

While many improvements have been made to the current system, it still fails to ensure that children receive adequate support from both parents. The potential for child support collections is approximately $48 billion per year. Yet only $14 billion is actually paid, leading to an estimated collection gap of about $34 billion. We are proposing the toughest child support system ever to make sure fathers pay their child support. It is simply not acceptable for non-custodial parents to walk away from the children they helped bring into this world.

Establishing awards in every case is the first step toward ensuring that children receive financial support from noncustodial parents. Paternity must be established for every out-of-wedlock birth, regardless of welfare status. Our proposal would greatly expand outreach and public education programs that encourage voluntary

paternity establishment, and build on existing hospital-based programs. The genetic testing process will be further streamlined for cases where paternity is contested.

In addition, mothers who apply for AFDC benefits must cooperate fully with paternity establishment procedures prior to receiving benefits. Except in rare circumstances in which paternity establishment is inappropriate, parents who refuse to cooperate will be sanctioned, generally by losing their share of AFDC benefits. We are proposing to systematically apply a new, stricter definition of cooperation in every AFDC case.

The child support agency—which has the most expertise and most at stake—will administer this new cooperation requirement within each State. When mothers have fully cooperated, the State must establish paternity and will be given one year to do so or risk losing a portion of its Federal match for AFDC benefits. performance-based incentives will encourage States to improve their paternity establishment rates for all out-of-wedlock births, regardless of welfare status.

Fair awards also are crucial to getting support to children who need it. Periodic updating of awards will be required for both AFDC and non-AFDC cases, so that awards accurately reflect the parents' current income. In addition, a National Guidelines Commission will be established to assess the desirability of uniform national child support guidelines or national parameters for State guidelines.

Many enforcement tools will allow States to collect support more effectively. The state-based child support enforcement system will continue, but with changes to move it toward a more uniform, centralized, and service-oriented program. All states will maintain a central registry and centralized collection and disbursement capabilities. The registry will maintain current records of all support orders and operate in conjunction with a centralized payment center for the collection and distribution of child support payments.

Centralized collection also will vastly simplify withholding for employers since they will have to send payments only to one source. In addition, this change will ensure accurate accounting and monitoring of payments.

The federal role will be expanded to ensure more efficient location of the noncustodial parent and enforcement of orders, particularly in interstate cases. In order to coordinate activity at the federal level and to track delinquent parents across state lines, a National Clearinghouse will be established. This Clearinghouse will consist of an expanded Federal Parent Locator Service, the National Child Support Registry, and the National Directory of New Hires. A stronger federal role in interstate enforcement will make interstate procedures more uniform throughout the country.

Enforcement measures will include revocation of professional, occupational and drivers' licenses to make delinquent parents pay child support; expanded wage withholding; improved use of income and asset information; expanded use of credit reporting; and authority to use the same wage garnishment procedures for federal and non-federal employees.

Our proposal also recognizes the problem absent parents sometimes face in getting work and their genuine desire to help support their children. We propose allowing states to allocate up to 10 percent of their JOBS and WORK funds for programs for non-custodial parents. States also will be allowed to require non-custodial parents with delinquent child support payments to work off what they owe.

The proposal contains several other measures aimed at encouraging parental responsibility. In addition, we are proposing a limited number of parenting, access and visitation, and child support assurance demonstrations.

States can choose to lift the special eligibility requirements for two-parent families in order to encourage parents to stay together. States also will be given the option to limit additional benefits for additional children conceived by mothers on AFDC (the "family cap"). States that choose this option will be required to allow families to "earn back" the lost benefit amount through disregarded income from earnings or child support.

PERFORMANCE: NOT PROCESS

The Administration's plan demands greater responsibility from the welfare office itself. Unfortunately, the current system too often focuses on simply sending out welfare checks. Instead, the welfare office must become a place that is about helping people find work and earn paychecks as quickly as possible. Our plan offers several provisions designed to help agencies reduce paperwork and focus on results.

The Secretary will phase in an outcome based system with funding incentives and penalties directly linked to the performance of states and caseworkers in service provision, job placement, and child support collection. In order to better coordinate and simplify program administration, we have also proposed several changes in pro-

gram rules designed to simplify and standardize disparate Food Stamp and AFDC policy rules.

ACCOUNTABILITY FOR TAXPAYERS

To eliminate fraud and ensure that every dollar is used productively, welfare reform will coordinate programs, automate files, and monitor recipients. We propose several new fraud control measures. States will be required to verify the income, identity, alien status, and Social Security numbers of new applicants. A national public assistance clearinghouse will follow individuals whenever and wherever they use welfare, monitoring compliance with time limits and work. A national "new hire" registry will monitor earnings to check AFDC eligibility and identify non-custodial parents who switch jobs or cross state lines to avoid paying child support. Anyone who refuses to follow the rules will face tough new sanctions, and anyone who turns down a job offer will be dropped from the rolls.

REACHING THE NEXT GENERATION

It is absolutely critical that our reforms send a strong message to the next generation. All young people must understand the importance of staying in school, living at home, preparing to work, and building a real future. And they must realize that having a child is an immense responsibility—not an easy route to independence.

PREVENTING TEEN PREGNANCY

We recognize that welfare dependency could be significantly reduced if more young people delayed childbearing until both parents were ready and able to assume the responsibility of raising children. And we are committed to doing everything we can to prevent teenage pregnancy in the first place.

I don't have to tell you how big a challenge that is. And it would be naive to suggest that government can do it alone. We are well aware that reducing the incidence of unmarried teen pregnancy will require the involvement of every sector of our society.

The link between unmarried teen births and poverty is clear: According to an Annie E. Casey Foundation study, approximately 80 percent of the children born to teen parents who dropped out of high school and did not marry are poor. In contrast, only 8 percent of children born to married high school graduates aged 20 or older are poor.

We are proposing a number of measures, including a national campaign against teen pregnancy designed to send a clear and unambiguous message to young people about delayed sexual activity and responsible parenting. As part of that effort, we would create a national clearinghouse to provide communities and schools with models, materials, training and technical assistance. The clearinghouse will distribute what is known and evaluate new approaches.

Our legislation also would set up new grant programs to test community-based approaches to reducing teen pregnancy. And because we need to pay particular attention to areas where the risks are greatest, we are proposing grants to set up programs in roughly 1000 middle and high schools.

We are also proposing to fund larger, more comprehensive demonstrations to simultaneously address the broader health, education, safety and employment needs of young people. These grants are intended to galvanize local efforts and inspire communities to work together.

We are absolutely committed to promoting abstinence-based programs in the schools as a key to preventing teen pregnancy. And we are equally determined to build our strategy on the best available research.

PHASING-IN YOUNG PEOPLE FIRST

We have chosen to phase in the plan by starting with young people: those born after 1971. We chose this strategy not because young single mothers are easiest to serve, but because they are so important to our future.

The younger generation of welfare recipients is our greatest concern. Younger recipients are likely to have the longest stays on welfare. They also are the group for which there is the greatest hope of making a profound difference. We strongly believe that the best way to end welfare as we know it is to reach the next generation; to devote energy and new resources to young people first, rather than spreading our efforts so thinly that little real help is provided to anyone.

This proposal represents a radical change in how we think about and administer welfare. But to get it right requires a solid and well planned implementation strategy. Even if resources were plentiful, the lessons we learned from the Family Sup-

port Act, as well as from our site visits and discussions with state administrators, have convinced us that attempting to implement a time-limited transitional assistance program for the entire case load at once would create enormous difficulties. We believe these difficulties could be avoided and the changes we envision successfully implemented by adopting this phase-in strategy.

Moreover, recent evidence from several programs serving teen mothers suggests that this population needs special attention and can be reached. By phasing in the plan with the youngest recipients first, we send a strong message of responsibility and opportunity to the next generation.

But let me be very clear about our proposal. Our legislation requires states to phase-in reform with recipients born after 1971. This implementation strategy limits the initial mandatory caseload to about one-third of the total in 1996, helping cash-strapped states enact meaningful WORK programs with time limits that can really be enforced. By the year 2000, this phase-in strategy means that half of all AFDC recipients, about 2.4 million people, will be in the new system. And by the year 2004, two-thirds will be subject to the new rules.

However, states will have the option to define the phased-in group more broadly, allowing them to apply time limits and other new rules to a larger percentage of the caseload if they wish. In addition, states will be required to serve volunteers from the non phase-in group to the extent that federal JOBS funds are available. At state option, these volunteers also may be subjected to the two-year time limit in exchange for access to services. And of course, the Family Support Act will continue to allow states to provide education and training for other AFDC recipients currently participating in JOBS. We believe that this approach creates a realistic partnership with the states, and sets up a meaningful path to real welfare reform.

A CLEAR MESSAGE FOR TEEN PARENTS

The proposal includes several incentives for young parents designed to promote responsible behavior. Minor parents will be required to live in their parents' households unless that environment is unsafe. Minor parents are still children themselves and they ought to live with adults who can offer supervision and guidance. The welfare system should not encourage young people who have babies to leave home, set up separate households and receive separate checks. In cases where there is a problem such as danger of abuse, states will be encouraged to find a responsible adult with whom the teen parent can live.

In order to meet the special needs of teen parents, any custodial parent under age 20 will be provided case management services. Although virtually all teen parents will be required to stay in school and participate in JOBS, the 24-month clock will not begin to run until the parent turns age 18. States also will have the option of using monetary incentives combined with sanctions as inducements to encourage young parents to remain in school or GED class.

In the end, Mr. Chairman, this is not about dollars and data. It is about values. For too long, the welfare system has been sending all the wrong messages. The Work and Responsibility Act is designed to get the values straight. It translates our values about work, responsibility, family and opportunity into a framework for action. It places new expectations and responsibilities on recipients, and on federal and state governments alike.

That is the message you started to send with the Family Support Act. It is time to fully realize that vision, and to build a bold new future based on the core values we all share.

We believe that this issue is critical—that welfare reform is about nothing less than our vision of what kind of country we are and want to be. Do we want to be a country that encourages work over dependency? Do we want to be a country that expects our young people to act responsibly? Do we want to be a country that rewards hard work and fair play and accepts nothing less? Do we want to be a country that helps provide a brighter future for our children?

The Work and Responsibility Act of 1994 answers those questions with a resounding YES. We believe this bill will truly strengthen America's families and communities.

Mr. Chairman, you and the members of this committee have shown real leadership on this issue. I look forward to working with all of you as you begin your work on this historic legislation. Thank you for your attention and I would be pleased to answer any questions you may have at this time.

JOBS PROGRAM

EFFECT OF CHANGE IN MATCH RATES
ON OUTLAYS OF FEDERAL DOLLARS
(millions)

	ESTIMATED FY 1994 STATE OUTLAYS	ESTIMATED FY 1994 FEDERAL OUTLAYS	ESTIMATED FY 1996 FEDERAL OUTLAYS	PERCENTAGE INCREASE	ESTIMATED FY 1997 FEDERAL OUTLAYS	PERCENTAGE INCREASE	ESTIMATED FY 1998 FEDERAL OUTLAYS	PERCENTAGE INCREASE	ESTIMATED FY 1999 FEDERAL OUTLAYS	PERCENTAGE INCREASE
Arkansas	3.5	5.3	7.0	31%	8.2	54%	8.7	63%	9.3	74%
Delaware	1.4	2.2	2.6	15%	2.6	15%	2.8	26%	3.1	38%
Iowa	3.9	6.6	8.1	24%	8.1	24%	8.9	36%	9.8	50%
Kansas	5.1	7.0	9.0	28%	9.6	36%	10.5	48%	11.5	63%
Louisiana	7.2	17.4	22.9	32%	24.9	43%	28.1	61%	30.3	74%
Maine	3.4	4.3	7.4	74%	7.4	74%	8.1	91%	9.0	110%
Michigan	41.0	59.4	76.2	28%	76.2	28%	83.3	40%	91.3	54%
Minnesota	9.5	15.1	17.7	17%	17.7	17%	19.3	28%	21.2	41%
Missouri	6.9	11.0	12.8	16%	12.8	16%	14.0	27%	15.4	39%
Montana	1.2	3.1	3.9	23%	3.9	23%	4.3	38%	4.9	58%
New Jersey	19.0	26.8	35.3	22%	35.3	22%	36.6	34%	42.3	47%
New York	68.1	94.9	118.7	25%	126.5	33%	136.3	46%	151.6	60%
North Dakota	0.6	1.8	2.4	28%	2.4	29%	2.6	43%	2.9	60%
Oklahoma	5.3	10.1	12.9	27%	15.1	49%	16.0	58%	17.1	69%
Oregon	6.4	12.0	13.3	10%	13.3	10%	14.5	21%	16.0	33%
Rhode Island	3.1	4.6	5.7	24%	5.7	24%	6.2	35%	6.8	49%
South Dakota	0.7	1.8	1.9	3%	1.9	3%	2.1	15%	2.3	26%
Utah	2.2	4.9	6.3	28%	7.4	50%	7.9	59%	8.4	69%
West Virginia	3.8	10.9	14.7	35%	14.7	35%	16.7	54%	19.2	77%
Wyoming	1.0	1.7	2.0	20%	2.0	20%	2.2	32%	2.4	45%

CHILD CARE PROGRAMS

EFFECT OF CHANGE IN MATCH RATES
ON OUTLAYS OF FEDERAL DOLLARS
(millions)

	ESTIMATED FY 1994 STATE OUTLAYS	ESTIMATED FY 1994 FEDERAL OUTLAYS	ESTIMATED FY 1996 FEDERAL OUTLAYS	PERCENTAGE INCREASE	ESTIMATED FY 1997 FEDERAL OUTLAYS	PERCENTAGE INCREASE	ESTIMATED FY 1998 FEDERAL OUTLAYS	PERCENTAGE INCREASE	ESTIMATED FY 1999 FEDERAL OUTLAYS	PERCENTAGE INCREASE
Arkansas	1.4	4.1	5.0	22%	5.2	27%	5.9	42%	6.6	61%
Delaware	4.2	4.2	6.8	64%	7.7	85%	8.4	103%	9.2	123%
Iowa	3.4	5.9	7.1	21%	7.1	21%	7.8	33%	8.6	46%
Kansas	7.1	10.5	13.2	26%	13.2	26%	14.5	38%	15.9	51%
Louisiana	8.2	22.6	26.3	15%	28.6	25%	32.1	41%	35.6	57%
Maine	1.6	2.6	3.3	29%	3.4	32%	3.7	45%	4.1	60%
Michigan	20.3	26.3	37.2	42%	37.8	44%	41.3	57%	45.3	72%
Minnesota	16.0	19.3	28.8	49%	29.7	54%	32.5	68%	35.6	85%
Missouri	14.3	22.0	26.5	21%	26.5	21%	29.0	32%	31.8	44%
Montana	1.3	3.2	3.8	19%	4.1	28%	4.6	43%	5.1	60%
New Jersey	18.7	18.7	30.8	64%	34.7	85%	38.0	103%	41.7	123%
New York	84.7	84.7	138.6	64%	156.8	85%	171.9	103%	188.5	123%
North Dakota	1.1	2.7	3.0	14%	3.0	14%	3.4	27%	3.8	42%
Oklahoma	12.4	29.5	34.5	17%	37.3	27%	41.8	41%	46.8	59%
Oregon	6.0	13.2	16.6	26%	16.6	26%	18.2	38%	20.0	52%
Rhode Island	5.0	5.9	8.7	48%	9.3	59%	10.2	74%	11.2	91%
South Dakota	1.3	2.9	3.4	17%	3.4	19%	3.8	32%	4.2	47%
Utah	4.5	13.2	15.1	14%	16.6	26%	18.5	40%	20.5	56%
West Virginia	2.2	6.9	7.9	14%	8.6	25%	9.6	39%	10.7	55%
Wyoming	1.5	2.9	3.2	11%	3.2	11%	3.5	21%	3.9	34%

RESPONSES OF DONNA SHALALA TO QUESTIONS FROM SENATOR CHAFEE

Question 1: Are we really "ending welfare as we know it" by moving recipients from a time-limited AFDC benefit to a public sector work program with no real time limits? What is the logic of this?

Answer: Our proposal changes the basic assumptions of the welfare system, emphasizing work and responsibility instead of ongoing cash support. Under the President's plan, welfare offices will focus on helping people get paychecks, not welfare checks. Support, job training, and child care will be provided to help people move from dependence to independence. But time limits will ensure that anyone who can work, must work—in the private sector if possible, in a temporary subsidized job if necessary. At the same time, by focusing on young people, we send a clear signal to today's teenagers that welfare as we know it has ended. More importantly, after two years, everyone will be required to work. People who don't work will not be paid. That is a straightforward and radical end to the status quo. President Clinton's welfare reform plan will demand responsibility by requiring anyone who can work to work within two years. Anyone who turns down a private sector job will be removed from the rolls, as will people who repeatedly refuse to make good faith efforts to obtain available jobs. Sanctions will ensure that people fulfill the requirements of the JOBS and WORK programs.

In addition, the President's plan will move people into the workplace as quickly as possible, by making WORK assignments less attractive than unsubsidized alternatives. We limit each WORK assignment to one year; require frequent job search; and withhold the EITC from WORK participants in subsidized jobs. After two years, WORK participants who have not found unsubsidized work will be individually assessed. Those who fail to apply for open unsubsidized jobs, who fail to cooperate with potential employers, or who turn down job offers will be removed from the program and barred from applying for further subsidized work for six months.

However, participants who are willing to work and play by the rules will not be left without a way to provide support for their families, just because they live in an area where there are no jobs available for them.

Question 2: I am concerned about how we target scarce Federal resources. Could you please provide a comparison of the costs of maintaining an individual in the WORK program versus permitting that individual to stay at home?

Answer: We estimate that placing an individual in a WORK assignment for a full year will cost, in fiscal year 1996, about $4,500 more than just paying AFDC benefits to the family. This figure includes the cost of developing and maintaining the WORK assignment, as well as the cost of transportation, worker's compensation, the employee and employer share of FICA taxes, and other work-related expenses.

This estimate is based on cost data from the Manpower Demonstration Research Corporation (MDRC) evaluations of the community work experience programs in the welfare-to-work demonstrations of the 1980s. The estimate is also consistent with community work experience cost data from the JOBS program.

The Administration's welfare reform proposal is based on two simple principles: work and responsibility. Providing work opportunities for those who have reached the two-year time limit for AFDC benefits is not just a matter of short-term cost-benefit calculations, but is intended to emphasize those two principles. Under the President's plan, the welfare system will focus on helping individuals obtain a paycheck rather than a welfare check, and will bring

Question 3: How many public sector jobs does the Department anticipate the program will create, and on what timetable?

Answer: We do not expect WORK assignments to be exclusively in the public sector. On the contrary, States will be encouraged to use WORK funds to temporarily subsidize positions with private firms, to help persuade employers to hire WORK participants as permanent employees. In some States or localities, a majority of WORK assignments might be in the private or not-for-profit sectors. consequently, the number of WORK assignments in the public sector will likely be considerably lower than the total number of persons in the WORK program (see estimates below).

Under the Administration's proposal, the two-year time limit and the work requirement will be phased in over time, with the new rules applying initially to younger recipients, who are at the greatest risk of long-term welfare receipt. The phase-in strategy changes the culture of the welfare system while helping cash strapped states enact meaningful work requirements with enforceable time limits. However, states will be allowed to apply the new rules to a larger percentage of the caseload if they wish.

We estimate that under the President's plan the number of persons required to participate in the WORK program will rise from 67,000 in FY 1998 to 257,000 in

FY 1999, 394,000 in FY 2000 and 476,000 in FY 2002, reaching 566,000 by fiscal year 2004.

Question 4: Given the high caseloads in most State welfare offices and the high turnover rate among caseworkers, how does the Department plan to ensure that the caseworker has the skills, background, and time to help recipients develop an appropriate employability plan? How will the Department ensure that a caseworker can accurately assess whether an individual is or is not job ready?

Answer: We recognize the importance of good case management in ensuring the success of JOBS programs and are committed to strengthening this aspect of JOBS program operations. In this regard, our proposal requires the assignment of case managers to parents who are under age 20. It also requires that case managers be appropriately trained and have reasonable caseloads. Furthermore, the proposal provides new or increased Federal funding for research and evaluation, technical assistance, computer systems development, and program administration. This additional funding will support both staffing increases and improvements in the supports provided case managers so that they can do their jobs more effectively.

Since we are interested in moving away from a process-driven welfare system to one that is more performance-driven, our proposal is not very prescriptive regarding case management requirements. State (and local) agencies must accept a large share of the responsibility for ensuring that they have effective case management systems. However, as their Federal partners, we will work very hard to ensure that these agencies have the financial support, information, and other support they need to develop and maintain effective case management systems.

Question 5: It seems to me that the Administration's plan is missing an emphasis on the young men. The plan outline does include a provision which would allow states to make young parents who don't pay their child support work off their obligation. Why is that a state option? If the young women are required to work for their benefits, why aren't the young men required to work if they can't or won't pay support?

Answer: Recognizing that there are a variety of reasons why noncustodial parents do not pay child support, ranging from willful denial to lack of jobs and income, the Administration proposes to provide funding (up to 10 percent of a States JOBS/WORK allocation) to experiment with a variety of different types of programs for non-custodial fathers, one of which could require noncustodial fathers to work off past child support obligations. States could also operate programs that would provide noncustodial fathers additional basic education, work-readiness and jobs training which would enhance their earning capacity and job security. As there is not a long track record of research and evaluation on the effectiveness of programs for non-custodial parents, it is envisioned that this provision should be a state option and that new programs should be modest and flexible, growing as evaluation findings begin to identify the most effective strategies.

Question 6: Is there any evidence that the family cap, which would be a state option in the Administration's plan, is effective?

Answer: The impact of limiting additional payments for children conceived by a woman on welfare has not yet been demonstrated. This is a very controversial issue which top experts in the welfare field are beginning to investigate. In the interest of State flexibility, the Department has granted waivers to test this policy. The State programs are currently being evaluated, but results are not yet available. We will be following closely what States do in this area and the impact it has on the families.

Question 7: The Administration's proposal would sanction individuals who refuse to take a job by terminating the family's entire benefit, not just the parent's share. How is the Department going to ensure the safety and well-being of the children during this time?

Answer: To tell parents that they must support their families, we have substantially increased the penalty for failing to take an unsubsidized job. Both before and after the 2-year time limit, recipients refusing to accept unsubsidized jobs without good cause will lose family cash benefits for 6 months or until they accept unsubsidized jobs. Families who play by the rules, however, will not be penalized. Benefits will not be cut or jobs terminated without good cause. At the same time, some sanction provisions are necessary in order to reinforce the principles of work and responsibility. Several studies have shown that sanctions change behavior and can be administered.

Even during sanctions, some benefits will continue in order to protect children. Families will continue to be eligible for Food Stamps, housing assistance, and medical assistance. These additional benefits, case management and monitoring of the family's situation should minimize the risk to children. Our plan continues to pro-

vide a safety net for families while providing real incentives for participation in JOBS and WORK.

Question 8: The Administration's proposal includes grants for 1,000 middle and high schools to develop innovative teen pregnancy prevention programs. Preventing young women from becoming mothers in the first place is the only way we are going to solve this welfare problem. Shouldn't we identify those programs which have already had proven success, and try to duplicate them in other communities around the country?

Answer: We are building on the knowledge gained in a number of promising teen pregnancy prevention programs throughout the country. These have shown that to be most effective in reducing teen pregnancy, a prevention strategy must focus initially on the young people who are most at-risk, and emphasize school-based, school-linked activities and complementary community action.

We have established in the proposal a broad and flexible framework. We have learned that communities differ—and therefore may need different approaches. Schools and community-based organizations applying for these grants will be asked, however, to set out specific, measurable goals they intend to accomplish and how they will measure these goals. Also, we will ask that applicants explain how the programs they propose to implement in their communities are based on previous research concerning effective means of reducing adolescent pregnancy.

Our bill will also establish a National Clearinghouse on Adolescent Pregnancy. This center will serve as a national information and data clearinghouse, and assist in training, technical assistance, and material development for adolescent pregnancy prevention programs.

Question 9: Under the Administration's proposal, most of the resources will be targeted at young women born after 1971. A recent study shows that 27% of women on welfare have substance abuse problems. It seems to me that until we treat these individuals for their addictions, they will not be able to benefit much from costly education and training. Wouldn't it be more worthwhile to target the costly training and education at those who are most likely to benefit, no matter what age they are?.

Answer: The study cited [1] found that approximately 28% of adults receiving AFDC had used an illicit drug in the past year or had five or more drinks in a row twice in the past month. These definitions are extremely broad and include many individuals who, while they may have used an illicit drug or alcohol occasionally, may not be impaired by this use and may not require treatment intervention.

In developing the Administration's welfare reform proposal, we have been concerned about substance abuse and have conducted analyses of the same database used in the study cited by the Senator. Rather than a definition of "use in the past year," our more in-depth analysis examines the extent of alcohol or drug use as well as an individual's impairment. By focusing on those significantly impaired by substance abuse and in need of treatment, we believe our figures more accurately reflect the nature of the problem in the AFDC population and its implications for welfare reform.

The findings for our analysis indicate that:

- Approximately 4.5% of AFDC recipients have substance abuse problems sufficiently debilitating that the impairments are likely to preclude these recipients' immediate participation in employment or training activities.
- An additional 10.5% have moderate impairments that would indicate that they are likely to need substance abuse treatment as a supportive service while they participate in employment and training activities.

Recognizing the importance of this issue, we have included a provision regarding substance abuse in the Administration's welfare reform proposal. States will be given the flexibility to require recipients they determine are substance abusers to participate in substance abuse treatment. Sanctions may be imposed for non-participation in substance abuse treatment provided that both treatment and supportive services, including child care, are made available. A handout describing how our welfare reform proposal is intended to operate in the case of a substance abuser is attached.

SUBSTANCE ABUSE AND THE WORK AND RESPONSIBILITY ACT OF 1994

- Where a substance abuse problem is identified, the individual's employability plan may call for participation in appropriate substance abuse treatment. Depending on the severity of the problem, treatment might be included either as a supportive service, provided in conjunction with a primary activity like job

[1] "Substance Abuse and Women on Welfare" issued by the Center on Addiction and Substance Abuse at Columbia University, June 1994.

training, or, if the problem is severe enough to preclude participation in training or education, the individual could be temporarily deferred from JOBS participation under the illness/incapacity exclusion while they get treatment. The two year time clock would not run while someone is in deferred status.

- For those who are deferred due to addiction or substance abuse, the state may impose sanctions for non-participation in treatment. These sanctions involve removing the adult's portion of the AFDC benefit for a period of months that increases for repeated instances of non-compliance.
- Persons in deferred status are re-evaluated every 6 months to see whether they're ready to move into the JOBS program. Persons whose serious substance abuse problems are not initially identified and deferred but who drop out of training programs or otherwise come to the attention of their case managers may be deferred at other points during the two years.
- For those not deferred, States may require that an individual participates in a substance abuse treatment program called for in his or her employability plan, so long as the treatment is available without cost to the recipient and that child care and/or other supportive services are provided as needed.
- Those whose substance abuse treatment is a supportive service while they are in the JOBS program may also be required to participate in such treatment and may be sanctioned for not doing so (again, so long as treatment is available without cost to the recipient and that child care and or other supportive services are provided as needed). This is the only instance in which a supportive service carries non-compliance sanctions.

Question 10: A recent report on NPR told about the success private collection agencies have had in collecting unpaid child support. Is this something we should consider on a broader scale?

Answer: Private collection agencies have sometimes been successful in collecting child support in cases where state agencies have failed to do so. Under the Administration's proposal they will continue to play a role in collecting support in some cases. States are beginning to experiment with contracting out child support collection services.

A broad expansion of their role is not necessarily in the best interest of families and children. Collection agencies charge a substantial percentage fee, usually 25 to 40 percent of the amount collected, and sometimes a flat fee in addition. This is money that should be going to the children to provide for their needs. There are also a growing number of complaints about the tactics and methods used by some collection agencies. These concerns are expressed by both custodial and noncustodial parents.

State agencies also need to be given the enforcement tools and resources they need to serve all parents that need help in collecting child support. The Work and Responsibility Act of 1994 contains the toughest enforcement measures in the history of this country. It will dramatically improve the child support enforcement system so that families and children receive the child support that they deserve.

Question 11: Extension of the corporate Superfund tax is listed as one offset to help pay for the Administration's welfare plan. The Administration has already claimed this savings to finance the pending GATT legislation. What is the Administration's commitment to funding the increased welfare spending contained in its proposal?

Answer: The Administration is strongly committed to a fair and balanced financing package to pay for the increased spending under this welfare reform plan. We will continue to work with this Committee and with the Congress at large on financing strategies for our proposed legislation.

COMMUNICATIONS

STATEMENT OF THE AMERICAN MEDICAL STUDENT ASSOCIATION

The American Medical Student Association (AMSA) is the largest independent medical student organization in the country, representing nearly 25,000 physicians-in-training. AMSA is committed to the improvement of health care and health care delivery to all people; to promote the active improvement of medical education; to involve its members in the social, moral, and ethical obligations of the profession of medicine; to contribute to the welfare of the profession of medicine; to assist in the improvement and understanding of world health problems.

AMSA supports the recent attention given this year to the reform of social welfare. We feel that changes will need to be made in the delivery of assistance to eligible recipients. However, amidst the sweeping changes provided by the Administration and other members of Congress, AMSA opposes the provision of a family cap. We hold any premise that excludes individuals, especially children, from normal, healthy development by fiscal restraints as a direct violation of human rights and further, a contradiction to the positive ideals of social reform.

Included in the welfare reform legislation, the child exclusion provision would in effect gives States the option to completely cut off benefits for any child conceived by an individual already on AFDC. The underlying idea contained in this proposal is that welfare mothers have additional children to collect added benefits. This simply is not true. Federal data demonstrates that AFDC families are not typically large—72% have one or two children. Further data demonstrates that AFDC family size has declined sharply over time. In 1969, 32% of AFDC families had four or more children, while in 1992, only 10% had four or more children. On the average, a grant increment as a family goes from three to four children is $68. This will result in increasing the poverty of a family, and decrease the likelihood that a family might meet the most minimal needs of an infant.

Welfare programs appear to have little effect on the likelihood of marriage, divorce, or childbirth. An eight year study in Wisconsin showed that the birth rate among women on public assistance was about 45.8 per 1,000, compared to the overall childbearing rate of 75.3 per 1,000 for all women in Wisconsin and 71.1 for the nation as a whole. These variations remained despite corrections made for employment status, age, education, number of children, race, and marital status. The longer a woman stays on welfare, the less likely she is to give birth. This fact alone clearly demonstrates responsibility among women in the AFDC system.

AMSA is concerned also about legislators taking the New Jersey's welfare reform demonstration—The Family Development Program (FDP)—as evidence that a family cap works. In November of 1993, initial data reported that there was a 16 percent reduction in newborns after the enactment of this law. However, since that time the reduction has decreased to 9 percent and further revisions are possible in the coming months. Being very preliminary data, the results could have arisen from a number of different factors, including mothers who move before reporting a birth, an alternative forced upon many mothers, and the parallel decline in the New Jersey's overall birth rate. It now appears that on an annualized basis, the law's impact would be a reduction of one quarter of one percent (0.0025) of the caseload. Using this study as conclusive data, this provision would penalize many newborns, placing them at a higher risk of serious and costly consequences. Further, widespread delays in reporting births by frightened mothers would lead to general social and health problems.

AMSA can only predict problems in the future if this provision were to become law; innocent children would be denied important benefits. First and foremost to our cause would be increased usage and dependence on the present health care system. By denying children requirements for normal development, the burden of proper nutrition and oversight will fall on the Emergency Rooms and health centers around

the country. The amount saved by not allowing these added benefits will only be a small fraction the government will end up reimbursing the Treasury for taking care of these excluded children.

AMSA supports the right for a woman's reproductive choice and is concerned that this provision for child exclusion will take away that choice from some women. The choice will be moved from going to term with the pregnancy or aborting the fetus, to simply not being able to have a child. In denying money for raising children this message has the dangerous undertones of a "pro-abortion" decision by the president.

Finally, for women who chose to give birth to a child, the money needed to raise infants would surely force many into homelessness. The homeless problem is already paramount in this country and needs not to be exacerbated by an increase in the rolls by mothers who choose to bring children into the world. The health implications for poor, homeless parents is painfully evident by the observation of the homeless population that line the streets of our cities.

Therefore, AMSA supports at the moment the specific provisions contained in the bill presented by Matsui (D-CA) aimed at preventing a Family Cap. This bill, like no other, prevents all the above mentioned health crises by the realization that welfare mothers have no economic incentive in giving birth to additional children. The data presented in this testimony shows this clearly to be true. Also, this bill's provisions give back to welfare mothers the dignity and respect of choice often taken away from them through the proposals contained in other legislation. The awful stigma associated with welfare must be erased rather than inflamed to truly have a successful reform, and a Family Cap in our opinion cannot achieve an honest and healthy reconciliation between the working class and the welfare state.

REFERENCES

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STATEMENT OF THE NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS

The National Society of Professional Engineers (NSPE) is opposed to two provisions of President Clinton's welfare reform proposal, the Work and Responsibility Act of 1994 (S. 2224/H.R. 4605). We are opposed to Section 667, which requires states to adopt procedures to withhold or suspend professional and other licenses of individuals who are delinquent in their child support obligations. We are also opposed to Section 907, which extends the Superfund corporate environmental income tax for the purpose of financing welfare reform. **We urge Congress to exclude Sections 667 and 907 from its final version of welfare reform legislation.**

The National Society of Professional Engineers was founded in 1934 and represents 70,000 engineers and engineering students in 535 local chapters and 54 state and territorial societies. NSPE is a broad-based interdisciplinary society representing all technical disciplines and all areas of engineering practice, including government, industry, education, private practice, and construction.

LICENSE SANCTIONS (SECTION 667)

Section 667 of the Work and Responsibility Act of 1994 (S. 2224/H.R. 4605) requires the states to adopt procedures to withhold or suspend, or to restrict the use of professional and other licenses of individuals who are delinquent in their child support obligations. While we strongly support federal and state government efforts to use enforcement procedures to execute court judgments, we feel that the license sanctions mandated by Section 667 are an inappropriate use of this authority.

Unfunded Mandate on State Government

By mandating that the states adopt license sanction procedures (as a condition for receiving federal financial assistance), **Section 667 infringes on the traditional prerogative of state governments to regulate professions and occupations.** We are not alone in this sentiment. In fact, several members of the U.S. Commission on Interstate Child Support expressed similar objections to license sanction recommendations that were included in its final report to Congress. Those Commissioners appropriately recognized that licensure matters were within the province of state government. Because the states, not the federal government, oper-

ate the licensing programs, they are in a better position than is the federal government to determine whether license sanctions are an appropriate enforcement tool.

Section 667 appears to be premised on the flawed assumption that state legislatures will fail to adopt license sanction procedures unless compelled to do so by the federal government. This assumption ignores the fact that the legislatures of Arizona, Arkansas, California, Iowa, Maine, Montana, South Dakota, Vermont, Virginia, and possibly others have already adopted such laws and that other states are also considering similar legislation, without any mandate from the federal government. Section 667 smacks of inappropriate federal paternalism particularly because the states clearly expressed their interest in considering license sanctions long before the federal government. **Enactment of Section 667, therefore, would unnecessarily aggravate tension between the federal government and the states.**

Furthermore, **enactment of Section 667 would impose an unfunded mandate upon the states,** as the legislation does not propose to reimburse the states for the cost of implementing the federal mandate. Funds for implementing the federal mandate will have to come directly out of the budgets of state licensing authorities. This will result in the diversion of personnel and financial resources away from the agencies' other activities, such as investigation of violations of and enforcement of the state licensing statutes. **Adoption of Section 667 would, therefore, impede the licensing authorities' ability to fulfill their primary responsibility of protecting the public from unscrupulous or incompetent practitioners.**

Constitutional Concerns

We also believe that efforts to revoke, limit, or disqualify licensees from lawful practice based upon non-practice related criteria, as proposed by Section 667, are troublesome on constitutional grounds and will set an alarming precedent by placing the discretion and authority to determine the practice qualifications of licensed professionals outside of the authority of the appropriate state licensing board. Among our concerns in this regard are the following:

- Non-practice related criteria restrain the right of citizens to practice a profession by creating a wholly unrelated and arbitrary standard by which one's fitness to practice a profession is judged;
- Non-practice related criteria are typically vague and overly broad and grant too much discretion and authority to enforcement officials;
- Non-practice related criteria are applied selectively only to those individuals required to hold a license to practice a profession, thus discriminating against those individuals; and
- Non-practice related criteria frequently require, under penalty of law, that all seeking licensure or renewal make self-incriminating statements or face fines or other penalties.

In its eagerness to adopt "get-tough" child support enforcement approaches that grab headlines, such as the license sanctions proposed in Section 667, Congress and the Administration may end up trampling on the rights of states and individuals in the process. We recommend instead that Congress evaluate the numerous other enforcement provisions contained in S. 2224/H.R. 4605 and other child support enforcement legislation as an alternative to mandating the states to adopt license sanctions. We are confident that upon closer evaluation, license sanctions will prove to be a tool that can easily be left to the states' discretion compared to other more far-reaching proposals in which a federal role is more appropriate.

SUPERFUND CORPORATE ENVIRONMENTAL INCOME TAX (SECTION 907)

Section 907 of the Work and Responsibility Act of 1994 (S. 2224/H.R. 4605) extends the Superfund corporate environmental income (CEI) tax into 1998 for the purpose of financing welfare reform. The CEI tax is currently scheduled to expire in 1995.

We strongly believe that taxes imposed for a specific purpose, such as the CEI tax, should be directed to the purpose for which it was imposed. If the purpose for the tax no longer exists, then it should be repealed rather than redirected to other non-related programs. **Accordingly, it is our position that any revenues generated by extension of the CEI tax or the special excise taxes on petroleum, hazardous chemicals, and selected imported substances, should continue to be directed to the Hazardous Substance Superfund.**

These special taxes were imposed on industry and corporations expressly for the purpose of funding hazardous waste remediation. Diversion of revenues generated from the Superfund's component taxes to finance welfare reform or other non-

Superfund purposes is a violation of the understanding on which the tax was agreed to by the public, the private sector, and Congress. Any change in the Superfund tax structure that would jeopardize the nation's ability to address its lingering hazardous waste problems is contrary to the public interest.

We appreciate the opportunity to submit comments on the Work and Responsibility Act of 1994 and look forward to continuing to provide assistance to Congress as it develops comprehensive welfare reform legislation. Thank you for considering our views.

Further information on this position can be obtained by contacting Bob Reeg in the NSPE Government Relations Department at 703/684–2873.

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